

**HOTAI MOTOR CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2024 AND 2023**

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.

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
MARCH 31, 2024 AND 2023 CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
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INDEPENDENT AUDITORS' REVIEW REPORT
(TRANSLATED FROM CHINESE)

PWCR24000259

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Hotai Motor Co., Ltd and subsidiaries (the "Group") as at March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Notes 4(3) and 6(10), the financial statements of certain insignificant consolidated subsidiaries, investments accounted for using the equity method and relevant information disclosed in accordance with Note 13 were not reviewed by independent auditors. Total assets of these subsidiaries and investments accounted for using the equity method amounted to NT\$93,990,893 thousand and NT\$79,753,262 thousand, constituting 19% and 19% of the consolidated total assets as at March 31, 2024 and 2023, respectively. Total liabilities amounted to NT\$33,799,259 thousand and NT\$26,624,928 thousand, constituting 9% and 8% of the consolidated total liabilities as at March 31, 2024 and 2023, respectively. And the total comprehensive income amounted to NT\$2,592,326 thousand and NT\$1,729,444

thousand, constituting 22% and 27% of the consolidated total comprehensive income for the three months then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Hsiao, Chun-Yuan

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

May 13, 2024

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.

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	March 31, 2024		December 31, 2023		March 31, 2023	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 21,301,997	4	\$ 23,142,893	5	\$ 14,559,380	3
1120	Financial assets at fair value through profit or loss-current	6(2)	7,481,232	1	6,324,510	1	4,397,866	1
1150	Derivative financial assets for hedging	6(4)	530,868	-	570,885	-	398,909	-
1190	Other financial assets-current	6(1) and 8	3,968,468	1	3,236,271	1	2,516,916	1
1195	Contract assets-current		97,922	-	106,655	-	82,689	-
1201	Notes receivable	6(5), 7 and 8	14,271,382	3	13,949,300	3	12,541,256	3
1202	Accounts receivable	6(5), 7 and 8	277,322,275	56	272,178,742	56	236,985,560	56
1203	Other receivables	7	2,778,970	-	2,382,482	1	2,126,316	1
1270	Inventories	6(7)	14,397,716	3	16,979,700	3	18,953,270	4
1280	Prepayments	6(8)	8,199,116	2	8,955,709	2	9,325,416	2
1290	Assets held for sale		218,073	-	276,351	-	283,710	-
1310	Reinsurance contract assets, net	6(9)	4,147,756	1	4,312,902	1	3,394,591	1
	Total current assets		<u>354,715,775</u>	<u>71</u>	<u>352,416,400</u>	<u>73</u>	<u>305,565,879</u>	<u>72</u>
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,011,886	-	1,011,886	-	1,011,039	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	15,345,483	3	10,850,980	2	8,203,798	2
1470	Investments accounted for using the equity method	6(10)	22,323,516	5	21,506,912	4	20,049,859	5
1480	Other financial assets-non-current	6(1)	60,248	-	81,131	-	245,259	-
1500	Property, plant and equipment, net	6(11)	68,225,102	14	66,017,903	14	61,408,253	14
1595	Right-of-use assets, net	6(12)	3,531,621	1	3,473,684	1	3,800,358	1
1600	Investment property, net	6(14)	1,926,473	-	2,340,699	-	2,874,637	1
1700	Intangible assets, net	6(15)	794,587	-	672,864	-	210,223	-
1800	Deferred income tax assets, net	6(33)	3,695,678	1	3,847,420	1	4,231,084	1
1900	Other assets	6(5)(9)(16)	24,470,008	5	23,660,471	5	18,890,684	4
	Total non-current assets		<u>141,384,602</u>	<u>29</u>	<u>133,463,950</u>	<u>27</u>	<u>120,925,194</u>	<u>28</u>
1XXX	Total Assets		<u>\$ 496,100,377</u>	<u>100</u>	<u>\$ 485,880,350</u>	<u>100</u>	<u>\$ 426,491,073</u>	<u>100</u>

(Continued)

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	March 31, 2024		December 31, 2023		March 31, 2023	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current Liabilities							
2110	Short-term loans	6(17)	\$ 117,779,370	24	\$ 101,464,701	21	\$ 108,977,793	26
2120	Short-term notes and bills payable	6(18)	138,836,932	28	148,116,089	31	122,467,657	29
2140	Financial liabilities at fair value through profit or loss-current	6(2)	-	-	407,727	-	9,040	-
2150	Derivative financial liabilities for hedging	6(4)	1,459,441	-	1,087,983	-	788,187	-
2165	Contract liabilities-current	6(28)	1,497,377	-	1,449,575	-	1,170,855	-
2201	Notes payable		1,695,814	-	1,635,144	-	801,861	-
2202	Accounts payable	7	12,548,523	3	13,466,699	3	14,599,983	4
2203	Accrued expenses	6(21) and 7	7,225,121	1	7,612,447	2	5,596,885	1
2204	Other payables	7	14,579,905	3	2,261,442	1	3,704,637	1
2250	Commissions payable	7	279,034	-	260,926	-	486,776	-
2260	Due to reinsurance and ceding companies		1,761,647	-	1,567,746	-	1,025,191	-
2270	Claims payable		12,467	-	33,352	-	116,092	-
2310	Current income tax liabilities		2,776,496	1	1,561,696	-	2,737,931	1
2320	Advance receipts		172,510	-	198,279	-	297,940	-
2330	Long-term liabilities-current portion	6(19)(20)	34,713,471	7	35,392,090	7	28,771,399	7
2335	Current lease liabilities	7	465,185	-	464,216	-	479,437	-
2350	Other current liabilities	6(9)(23)(24)	22,512,027	5	22,264,785	5	25,844,133	6
	Total current liabilities		<u>358,315,320</u>	<u>72</u>	<u>339,244,897</u>	<u>70</u>	<u>317,875,797</u>	<u>75</u>
	Non-current liabilities							
2550	Long-term loans	6(20)	11,433,815	2	20,436,199	4	10,977,230	3
2600	Provisions	6(9)(23)	10,336,180	2	10,187,144	2	9,024,290	2
2620	Guarantee deposits received	6(24)	9,813,742	2	9,431,626	2	8,449,654	2
2625	Non-current lease liabilities	7	1,798,817	1	1,742,742	-	1,974,813	-
2630	Deferred income tax liabilities	6(33)	4,441,344	1	4,398,174	1	4,307,186	1
2660	Other liabilities		-	-	1,221	-	27	-
	Total non-current liabilities		<u>37,823,898</u>	<u>8</u>	<u>46,197,106</u>	<u>9</u>	<u>34,733,200</u>	<u>8</u>
2XXX	Total Liabilities		<u>396,139,218</u>	<u>80</u>	<u>385,442,003</u>	<u>79</u>	<u>352,608,997</u>	<u>83</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(25)						
3110	Common stock		5,571,028	1	5,571,028	1	5,461,792	1
	Capital surplus	6(26)						
3200	Capital surplus		2,897,372	-	2,897,372	1	2,898,044	1
	Retained earnings	6(27)						
3310	Legal reserve		15,553,282	3	15,553,282	3	15,553,282	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		32,537,809	7	37,794,757	8	20,136,286	5
	Other equity							
3400	Other equity		8,778,944	2	4,028,202	1	1,838,787	-
31XX	Total equity attributable to shareholders of the parent		<u>65,720,278</u>	<u>13</u>	<u>66,226,484</u>	<u>14</u>	<u>46,270,034</u>	<u>11</u>
32XX	Non-controlling interest		<u>34,240,881</u>	<u>7</u>	<u>34,211,863</u>	<u>7</u>	<u>27,612,042</u>	<u>6</u>
3XXX	Total equity		<u>99,961,159</u>	<u>20</u>	<u>100,438,347</u>	<u>21</u>	<u>73,882,076</u>	<u>17</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after balance sheet date	11						
	Total liabilities and equity		<u>\$ 496,100,377</u>	<u>100</u>	<u>\$ 485,880,350</u>	<u>100</u>	<u>\$ 426,491,073</u>	<u>100</u>

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

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Three months ended March 31				
		2024		2023		
		AMOUNT	%	AMOUNT	%	
Revenues						
4010	Interest income	6(3)(29)	\$ 5,915,607	8	\$ 4,822,479	7
4020	Premiums revenue	6(30)	2,030,359	3	2,208,545	3
4040	Reinsurance commission revenue		264,981	-	287,323	1
4050	Fee income		2,439	-	2,613	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	765,473	1	811,654	1
4090	Gains on financial assets and liabilities at fair value through profit or loss	6(2)	1,376,227	2	510,653	1
4105	Realized gains on financial assets at fair value through other comprehensive income		30,837	- (	20,115)	-
4160	Net sales revenue	6(28)				
4161	Sales revenue		56,205,071	78	55,091,846	81
4162	Sales returns		(325,140)	- (	496,064)	(1)
4163	Sales discounts and allowances		(672,836)	(1)	(811,293)	(1)
4170	Rental revenue		5,041,678	7	4,674,540	7
4180	Service revenue	6(28) and 7	654,296	1	582,081	1
4210	Gains on disposals of property, plant and equipment		389,204	-	7,194	-
4230	Income from investment property	6(14)	36,568	-	45,052	-
4270	Other income		392,538	1	273,574	-
4256	Reversal gains on expected credit of investment		-	-	196	-
4280	Unrealized profits from sales		(111,051)	- (	84,499)	-
4290	Realized profits from sales		69,323	-	44,701	-
	Total revenues		<u>72,065,574</u>	<u>100</u>	<u>67,950,480</u>	<u>100</u>
Expenses						
5010	Interest expenses		(1,638,920)	(2)	(1,259,979)	(2)
5030	Underwriting expenses		(61)	- (	138)	-
5040	Commission expenses	7	(1,369,914)	(2)	(1,284,458)	(2)
5050	Claims payment		(904,754)	(1)	(7,166,741)	(11)
5070	Net changes in other insurance liabilities	6(9)	190,778	-	5,751,696	8
5190	Cost of sales	6(7) and 7	(48,997,682)	(68)	(47,097,791)	(69)
5200	Cost of rental revenue		(3,924,334)	(5)	(3,638,941)	(5)
5210	Cost of services		(512,516)	(1)	(502,856)	(1)
5230	Operating expenses	6(31)(32) and 7				
5231	Selling expenses		(2,699,548)	(4)	(2,527,564)	(4)
5232	General and administrative expenses		(2,062,261)	(3)	(1,825,166)	(3)
5233	Research and development expenses		(34,591)	- (	28,049)	-
5287	Expected credit impairment losses of non-investment	12(2)	(1,184,643)	(2)	(725,221)	(1)
5270	Expenses and losses from investment property	6(14)	(7,716)	- (	8,932)	-
5275	Losses on reclassification under the overlay approach		(111,479)	- (	226,064)	-
5290	Foreign exchange losses		(211,474)	- (	41,711)	-
5320	Other expenses		(75,139)	- (	36,466)	-
	Total expenses		<u>(63,544,254)</u>	<u>(88)</u>	<u>(60,618,381)</u>	<u>(90)</u>
6100	Income before income tax from continuing operations		8,521,320	12	7,332,099	10
6200	Income tax expense	6(33)	(1,577,514)	(3)	(1,407,198)	(2)
6500	Profit for the period		<u>\$ 6,943,806</u>	<u>9</u>	<u>\$ 5,924,901</u>	<u>8</u>

(Continued)

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Three months ended March 31			
		2024		2023	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (loss) for the period					
Components of other comprehensive income that will not be reclassified to profit or loss					
6617	Gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)			
			\$ 4,287,885	6	\$ 240,745
6610	Total components of other comprehensive income that will not be reclassified to profit or loss		<u>4,287,885</u>	<u>6</u>	<u>240,745</u>
6650	Components of other comprehensive (loss) income that may be reclassified to profit or loss				
6651	Financial statement translation differences of foreign operations		585,913	1	83,334
6659	Unrealized (loss) gains from investments in debt instruments measured at fair value through other comprehensive income	6(3)	(7,250)	-	46,646
6661	Loss on hedging instrument	6(4)	(50,014)	-	(128,097)
6675	Other comprehensive income reclassified by using overlay approach	6(2)	111,479	-	226,064
6665	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - components of other comprehensive income that may be reclassified to profit or loss		(2,295)	-	5,906
6689	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	6(33)	<u>7,413</u>	<u>-</u>	<u>19,266</u>
	Total components of other comprehensive income that may be reclassified to profit or loss		<u>645,246</u>	<u>1</u>	<u>253,119</u>
6600	Other comprehensive income for the period-net				
			<u>\$ 4,933,131</u>	<u>7</u>	<u>\$ 493,864</u>
6700	Total comprehensive income for the period				
			<u>\$ 11,876,937</u>	<u>16</u>	<u>\$ 6,418,765</u>
	Profit attributable to:				
6810	Owners of parent		\$ 5,885,107	7	\$ 5,063,405
6820	Non-controlling interests		<u>1,058,699</u>	<u>2</u>	<u>861,496</u>
			<u>\$ 6,943,806</u>	<u>9</u>	<u>\$ 5,924,901</u>
	Comprehensive income attributable to:				
6910	Owners of parent		\$ 10,635,849	14	\$ 5,597,405
6920	Non-controlling interests		<u>1,241,088</u>	<u>2</u>	<u>821,360</u>
			<u>\$ 11,876,937</u>	<u>16</u>	<u>\$ 6,418,765</u>
	Basic earnings per share	6(34)	\$	10.56	\$ 9.09
	Diluted earnings per share	6(34)	\$	10.56	\$ 9.09

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

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Retained earnings					Other equity interest						
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other comprehensive income(loss) reclassified by using overlay approach	Gain (loss) on hedging instruments	Total	Non-controlling interests	Total equity	
For the three months ended March 31, 2023													
	\$ 5,461,792	\$ 2,898,044	\$ 15,553,282	\$ 381,843	\$ 16,165,239	(\$ 323,552)	\$ 1,699,344	(\$ 140,088)	\$ 69,083	\$ 41,764,987	\$ 27,807,076	\$ 69,572,063	
	-	-	-	-	5,063,405	-	-	-	-	5,063,405	861,496	5,924,901	
	-	-	-	-	-	74,531	277,315	227,750	(45,596)	534,000	(40,136)	493,864	
	-	-	-	-	5,063,405	74,531	277,315	227,750	(45,596)	5,597,405	821,360	6,418,765	
Appropriation and distribution of retained earnings:													
6(27)													
	-	-	-	-	(1,092,358)	-	-	-	-	(1,092,358)	(1,016,394)	(2,108,752)	
	\$ 5,461,792	\$ 2,898,044	\$ 15,553,282	\$ 381,843	\$ 20,136,286	(\$ 249,021)	\$ 1,976,659	\$ 87,662	\$ 23,487	\$ 46,270,034	\$ 27,612,042	\$ 73,882,076	
For the three months ended March 31, 2024													
	\$ 5,571,028	\$ 2,897,372	\$ 15,553,282	\$ 381,843	\$ 37,794,757	(\$ 673,527)	\$ 4,378,007	\$ 333,556	(\$ 9,834)	\$ 66,226,484	\$ 34,211,863	\$ 100,438,347	
	-	-	-	-	5,885,107	-	-	-	-	5,885,107	1,058,699	6,943,806	
	-	-	-	-	-	380,017	4,279,933	111,064	(20,272)	4,750,742	182,389	4,933,131	
	-	-	-	-	5,885,107	380,017	4,279,933	111,064	(20,272)	10,635,849	1,241,088	11,876,937	
Appropriation and distribution of retained earnings:													
6(27)													
	-	-	-	-	(11,142,055)	-	-	-	-	(11,142,055)	(1,212,070)	(12,354,125)	
	\$ 5,571,028	\$ 2,897,372	\$ 15,553,282	\$ 381,843	\$ 32,537,809	(\$ 293,510)	\$ 8,657,940	\$ 444,620	(\$ 30,106)	\$ 65,720,278	\$ 34,240,881	\$ 99,961,159	

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

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Three months ended March 31		
	Notes	2024	2023
<u>Cash flows from operating activities</u>			
Profit before income tax		\$ 8,521,320	\$ 7,332,099
Adjustments to reconcile profit (loss) before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(11)(12)(14)(31)	3,375,356	3,153,165
Amortization	6(31)	35,172	35,001
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)	(1,376,227)	(510,653)
Reversal gains on expected credit impairment loss of investment		-	(196)
Expected credit impairment loss on non-investment		1,184,643	725,221
Profit or loss reclassified by applying overlay approach		111,479	226,064
Impairment reversal gain of rental assets	6(11)	(891)	(24,261)
Provision for financial guarantee expense		7,054	4,517
Interest expense		1,638,920	1,259,979
Interest income	6(29)	(5,915,607)	(4,822,479)
Dividend income		(30,837)	(14,788)
Share of profit of associates accounted for using the equity method	6(10)	(765,473)	(811,654)
Net gain on disposal of property, plant and equipment		(389,204)	(7,194)
Unrealized profit from sales		111,051	84,499
Realized profit from sales		(69,323)	(44,701)
Profit from lease modification	6(12)	(15)	(72)
Exchange gain (loss)		3,671	-
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		219,505	703,316
Contract assets		8,733	(25,668)
Notes and accounts receivable		(7,206,520)	(13,435,359)
Other receivables		(374,851)	(290,926)
Inventories		4,457,599	(4,116,419)
Prepayments		744,873	(409,829)
Reinsurance contract assets		331,191	(536,288)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(407,727)	(153,568)
Contract liabilities		47,802	(347,292)
Notes and accounts payable		(857,506)	3,146,915
Accrued expenses		(465,517)	(1,030,822)
Other payables		(35,662)	(69,867)
Commission payable		18,108	(6,659)
Provisions		149,036	307,676
Due to reinsurance and ceding companies		193,901	210,683
Claims payable		(20,885)	(197,494)
Advance receipts		(25,769)	(60,168)
Other current liabilities		126,014	(4,934,384)
Other liabilities		(1,221)	(9)
Cash inflow (outflow) generated from operations		3,342,193	(14,541,279)
Interest received		5,893,970	4,818,363
Cash dividends received		30,837	14,788
Interest paid		(1,560,553)	(1,259,514)
Income tax paid		(153,308)	(151,344)
Net cash flows from (used in) operating activities		<u>7,553,139</u>	<u>(11,118,986)</u>

(Continued)

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Three months ended March 31	
		2024	2023
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 213,869)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	711,904
Acquisition of investments accounted for using the equity method		(68,250)	(512,880)
Net cash flow from acquisition of subsidiaries		(216,779)	(9,253)
Acquisition of property, plant and equipment	6(11)	(6,691,965)	(5,243,931)
Proceeds from disposal of property, plant and equipment		-	66,978
Proceeds from disposal of assets held for sale		685,000	-
Acquisition of investment properties	6(14)	(85)	-
Acquisition of intangible assets	6(15)	(10,892)	(44,372)
(Increase) decrease in other financial assets		(711,314)	664,105
Increase in other assets		(746,027)	(467,024)
Net cash flows used in investing activities		(7,974,181)	(4,834,473)
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6(35)	16,676,130	3,790,193
(Decrease) increase in short-term notes and bills payable	6(35)	(9,279,157)	7,827,444
Proceeds from issuance of bonds	6(35)	-	4,000,000
Proceeds from long-term loans	6(35)	1,186,125	1,046,368
Repayments of long-term loans	6(35)	(10,871,060)	(2,001,493)
Increase in guarantee deposits received	6(35)	503,344	363,254
Repayment of principal portion of lease liability	6(35)	(120,639)	(232,088)
Net cash flows (used in) from financing activities		(1,905,257)	14,793,678
Net effect of changes in foreign currency exchange rates		485,403	89,600
Net decrease in cash and cash equivalents		(1,840,896)	(1,070,181)
Cash and cash equivalents at beginning of period		23,142,893	15,629,561
Cash and cash equivalents at end of period		\$ 21,301,997	\$ 14,559,380

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

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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

(Reviewed, not audited)

1. History and Organization

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

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

These consolidated financial statements were reported to the Board of Directors on May 13, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became into effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

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

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

None.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: 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 present separately 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.

D. IFRS 18, ‘Presentation and disclosure in financial statements’

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- (f) From January 1, 2024 to March 31, 2024, the subsidiaries of the individual financial reports included in this merger report, except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited, Hoyun International Leasing Co., Ltd., and Hoing Mobility Service Corporation, which are included based on their financial reports reviewed by independent auditors during the same period and excluded from the consolidated financial statements. The remaining subsidiaries are evaluated and disclosed based on their unaudited financial statements for the same period. From January 1, 2023 to March 31, 2023, the subsidiaries of the individual financial reports included in this merger report, except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited, Hoyun International Leasing Co., Ltd., and Hoing Mobility Service Corporation, which are included based on their

financial reports reviewed by independent auditors during the same period and excluded from the consolidated financial statements. The remaining subsidiaries are evaluated and disclosed based on their unaudited financial statements for the same period.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
Hotai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100.00	100.00	100.00	
Hotai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	100.00	
Hotai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	77.93	77.93	92.86	Note 5
Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Hotai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Hotai Motor Co., Ltd.	Hotai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	45.01	Note 2
Hotai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Hotai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
Hotai Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	70.00	70.00	70.00	
Hotai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50.00	50.00	50.00	Note 1
Hotai Motor Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	Sales of vehicle bodies	100.00	100.00	100.00	
Hotai Motor Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	18.00	18.00	18.00	Note 1
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tianjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, (trading and repairing of vehicles and their parts)	70.00	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100.00	100.00	100.00	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Toyota Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sale Service Co., Ltd.	Sales and repairing of vehicles	70.00	70.00	70.00	
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Hoyu Toyota Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1
Shanghai Hoyu Toyota Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1
Shanghai Hoyu Toyota Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	52.38	23.81	23.81	Note 1, 13
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	40.00	40.00	40.00	Note 1
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30.00	30.00	30.00	Note 1

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30.00	30.00	30.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	45.39	Note 2
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	22.05	22.05	7.13	Note 1, 5
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.10	41.10	41.10	Note 1
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.40	27.40	27.40	Note 1
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	Taxi service	100.00	100.00	100.00	
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	Taxi service	100.00	100.00	100.00	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Leasing of vehicles	50.82	50.82	50.82	
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Leasing of vehicles	49.18	49.18	49.18	Note 1
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	Tourism industry	100.00	100.00	100.00	
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment trading of various vehicles	81.00	81.00	81.00	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	80.00	80.00	80.00	
Hotai Finance Co., Ltd.	Hotai Finance Development Co., Ltd.	Installment of equipment sales	100.00	-	-	Note 11
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Energy storage	100.00	100.00	100.00	
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Solar power	99.00	99.00	90.00	Note 9
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Solar power	96.97	96.97	90.00	Note 9
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Solar power	99.00	99.00	90.00	Note 9
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Electricity retailing business	100.00	100.00	100.00	Note 3
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Solar power	100.00	100.00	100.00	Note 4
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Solar power	100.00	100.00	-	Note 7
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Solar power	100.00	100.00	-	Note 7
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Solar power	100.00	100.00	-	Note 8
He Jun Energy Co., Ltd.	Pacific One Energy Ltd.	Solar power	100.00	-	-	Note 12
He Jun Energy Co., Ltd.	Ruei Yang Guang Dian Co., Ltd.	Solar power	100.00	-	-	Note 12
He Jun Energy Co., Ltd.	Hon Yang Energy Co., Ltd.	Solar power	100.00	100.00	-	Note 8
Hoyun International Limited	Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of cars	100.00	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100.00	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Homei International Trade (Suzhou) Co., Ltd.	Consulting services	100.00	100.00	100.00	Note 6
Hotai Development Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Hotai Toyota Forklift Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	Note 10
Hotai Development Co., Ltd.	Hotai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Hotai Development Co., Ltd.	Hotai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100.00	100.00	100.00	
Hotai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51.00	51.00	51.00	
3A Express Co., Ltd.	Hotai Transportation Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Corporation	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	Daleon Auto Parts & Accessories Corporation	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	0.68	0.68	Note 1
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	0.50	0.50	0.50	Note 1
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Assembly of vehicle bodies	20.00	20.00	20.00	Note 1

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

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

Note 3: The subsidiary was established in February, 2023.

Note 4: The subsidiary was acquired in March, 2023.

Note 5: On June 2, 2023, the subsidiary, Hozan Investment Co., Ltd., participated in the cash capital increase of the subsidiary, Hotai Insurance Co., Ltd., with an amount of \$4,500,000. After the capital increase, its shareholding ratio became 22.05%. The Company did not participate in the subscription, and the shareholding ratio decreased from 92.86% to 77.93%.

Note 6: On June, 2023, Homei Consulting (Suzhou) Co., Ltd. changed its registration and renamed itself as Hemei International Trading (Suzhou) Co., Ltd.

Note 7: The subsidiary was acquired in August, 2023.

Note 8: The subsidiary was acquired in September, 2023.

Note 9: On October 11, 2023, the subsidiary, He Jun Energy Co., Ltd., participated in the cash capital increase of subsidiaries, Chaoyang Energy Co., Ltd., Guang Yang Energy Co., Ltd. and XianYao Energy Co., Ltd., amounting to \$23,000, \$20,700 and \$26,640, respectively. After the capital increase, their shareholding ratio became 96.97%, 99% and 99%, respectively.

Note 10: In November, 2023, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. changed its registration and renamed itself as Shanghai Hotai Toyota Forklift Co., Ltd.

Note 11: The subsidiary was established in January, 2024.

Note 12: The subsidiary was acquired in March, 2024.

Note 13: In March, 2024, the subsidiary, Shanghai Holing Motor Co., Ltd. acquired 28.57% shares of Shanghai Hede Used Vehicle Co., Ltd. for \$1,400 RMB. After the acquisition, the shareholding ratio increased from 23.81% to 52.38%.

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

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

E. Significant restrictions: None.

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

As of March 31, 2024, December 31, 2023 and March 31, 2023, the non-controlling interest amounted to \$34,240,881, \$34,211,863 and \$27,612,042, respectively. The information of non-controlling interests that are material to the Group and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		March 31, 2024		December 31, 2023	
		Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.(Note)	Taiwan	\$ 23,444,748	54.610%	\$ 24,051,904	54.610%
Hotai Leasing Co., Ltd.	Taiwan	2,062,781	33.958%	1,947,816	33.958%

Name of subsidiary	Principal place of business	Non-controlling interest	
		March 31, 2023	
		Amount	Ownership (%)
Hotai Finance Co., Ltd.(Note)	Taiwan	\$ 17,796,233	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,915,115	33.958%

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

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.		
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current assets	\$ 291,597,334	\$ 284,254,876	\$ 247,910,622
Non-current assets	29,078,598	27,884,836	20,658,549
Current liabilities	(279,144,753)	(270,124,770)	(235,255,633)
Non-current liabilities	(2,520,524)	(2,020,104)	(1,338,120)
Total net assets	<u>\$ 39,010,655</u>	<u>\$ 39,994,838</u>	<u>\$ 31,975,418</u>

	Hotai Leasing Co., Ltd.		
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current assets	\$ 5,093,908	\$ 5,161,023	\$ 4,353,242
Non-current assets	45,524,398	44,004,147	40,682,291
Current liabilities	(28,613,566)	(27,440,326)	(24,544,785)
Non-current liabilities	(15,930,234)	(15,988,889)	(14,851,091)
Total net assets	<u>\$ 6,074,506</u>	<u>\$ 5,735,955</u>	<u>\$ 5,639,657</u>

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Revenue	\$ 7,783,711	\$ 6,564,637
Profit before income tax	1,270,621	1,331,959
Income tax expense	(368,713)	(319,263)
Profit for the period	901,908	1,012,696
Other comprehensive income (loss) for the period, net of tax	100,465	(69,106)
Total comprehensive income for the period	<u>\$ 1,002,373</u>	<u>\$ 943,590</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 477,627</u>	<u>\$ 443,389</u>
	Hotai Leasing Co., Ltd.	
	Three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Revenue	\$ 6,148,431	\$ 5,496,650
Profit before income tax	356,198	385,024
Income tax expense	(83,175)	(86,472)
Profit for the period	273,023	298,552
Other comprehensive income for the period, net of tax	65,528	18,657
Total comprehensive income for the period	<u>\$ 338,551</u>	<u>\$ 317,209</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 114,965</u>	<u>\$ 107,718</u>

Statements of cash flows

	Hotai Finance Co., Ltd.	
	Three months ended March 31,	
	2024	2023
Net cash used in operating activities	(\$ 3,356,509)	(\$ 9,551,624)
Net cash used in investing activities	(1,163,839)	(1,259,029)
Net cash provided by financing activities	6,936,895	12,059,778
Net effect of changes in foreign currency exchange rates	79,404	74,954
Increase in cash and cash equivalents	2,495,951	1,324,079
Cash and cash equivalents, beginning of period	2,878,184	2,382,775
Cash and cash equivalents, end of period	<u>\$ 5,374,135</u>	<u>\$ 3,706,854</u>
	Hotai Leasing Co., Ltd.	
	Three months ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 4,509,283	\$ 4,346,019
Net cash used in investing activities	(5,481,237)	(4,354,614)
Net cash provided by financing activities	992,752	163,760
Increase in cash and cash equivalents	20,798	155,165
Cash and cash equivalents, beginning of period	114,943	120,151
Cash and cash equivalents, end of period	<u>\$ 135,741</u>	<u>\$ 275,316</u>

(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

- 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.
- 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.
- Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within “foreign exchange gains or losses”.

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

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

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

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

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. The Group could designate financial assets at fair value through profit or loss using overlay approach when financial assets meet the following conditions:
- (a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - (b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.
- D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- E. The Group reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:
- (a) The amount reported in profit or loss for the designated financial assets applying overlay approach if IFRS 9 had been applied; and
 - (b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

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

(10) Offsetting financial instruments

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

(11) Impairment of financial assets

- A. For financial assets at fair value through other comprehensive income and financial assets at amortized cost including account receivable, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.
- B. The Group will perform the following procedure when the financial assets are assessed as having a significant increase in credit risk after initial recognition:
 - (a) Financial assets at fair value through other comprehensive income
Reclassify the amount of credit loss which originally are unrealized gains (losses) of accumulated losses of other comprehensive income as profit or loss.
 - (b) Financial assets at amortized cost
Decrease its carrying amount through an allowance account. When financial assets at amortized cost are assessed as no longer recoverable, write-off the allowance accounts. For proceeds that were previously written-off and subsequently recovered, credit the allowance account. Except for financial assets at amortized cost that are assessed as no longer recoverable and written-off allowance accounts, the carrying amount of allowance accounts are recognized in profit or loss.

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

The Group's subsidiary, Hotai Insurance Co., Ltd., provisioned for an appropriate allowance loss in accordance with IFRS 9 and IFRS 4, as well as the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", for receivables, financial assets and reinsurance assets measured at amortized cost and reinsurance contract assets.

(13) Derecognition of financial assets

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

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

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

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
 - (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the gross 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) during 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 Hotai 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. Electricity sales agreement

Electricity sales agreement is stated at cost and amortized on a straight-line basis over 16 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 amortized, but is tested annually for impairment.

(22) Impairment of non-financial assets

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

(23) Borrowings

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

(24) Notes and accounts payable

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

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

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

(26) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either 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 (warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses. For details of provisions for other insurance liabilities, please refer to Note 4(38).

(32) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

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

D. Employees' compensation and directors' remuneration

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

(33) Classification of insurance contracts

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

Insurance contract is a contract under which one party (the insurer) accepts significant risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a

specified uncertain future event (the insured event) adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held. The definition of significant transferred risks employed by the Group refers to an occurrence of any event or incident that leads to the Group's additional significant payment.

(34) Direct insurance income and expenses

- A. Direct premiums are recognized in the year the insurance policies are issued without regard to the effective dates of the policies except premiums related to open cover policies which are recognized in the year they are earned. Premiums adjustments, including policy cancellations, are recorded in the year they occur.
- B. Claims are accrued after the claim letters are received.
- C. Commission expenses are accrued after the policies are issued.

(35) Reinsurance contract

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

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

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

(36) Salvage and subrogation

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

(37) Underwriting pools and coinsurance

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

(38) Insurance liabilities

All reserves of insurance contracts that the Group recognized are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, “Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance”, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Notes for Strengthening Reserve of Pool Members Residential Earthquake”, “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises” and “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, and shall be certified by actuary authorized by the Financial Supervisory Commission. Provision for reserve is also applicable for assumed reinsurance and ceded reinsurance business but is not applicable for special reserve and liability adequacy reserve.

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

A. Unearned premium reserve

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

B. Claims reserve

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

C. Special reserve

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

D. Premium deficiency reserve

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

E. Liability adequacy reserve

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

F. Unqualified ceded reserve

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

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

(39) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The income tax expense for the mid-year period is calculated by applying the annual average effective tax rate to the mid-year period's pre-tax profit calculation, and relevant information is disclosed in accordance with the aforementioned policies.
- H. When there is a change in tax rate during the mid-year period, the Group recognizes the impact of the change once in the current period. For items related to income tax and recognized outside of profit or loss, the impact of the change is recognized in other comprehensive income or equity items. For items related to income tax and recognized in profit or loss, the impact of the change is recognized in profit or loss.

(40) Employee share-based payment

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

(41) Share capital

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

(42) Dividends

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

(43) Revenue recognition

A. Sales of goods

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

B. Lease revenue

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

- C. The Group provides services related to vehicles and vehicle air conditioning. When the results of service provision transactions can be reliably estimated, revenue is recognized based on the percentage of completion method. The degree of completion is estimated by the proportion of actual costs incurred to the estimated total transaction costs as of the financial reporting date. When the results of the transaction cannot be reliably estimated, revenue is recognized within the range of costs already incurred that are likely to be recoverable.
- D. Recognition of premium revenue and deferred acquisition cost of the insurance business were as follows:
- (a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(34) and (35).
 - (b) Commission revenue is recognized on the accrual basis of the service period.
- E. Financing components

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

(44) Operating segments

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

(45) Corporate Mergers

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns refund liabilities for sales returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically. Please refer to Note 6(28) for the information of sales of goods.

B. Provisions for warranty

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

C. Evaluation of allowance for uncollectible accounts

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

D. Insurance liabilities

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

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

experts by each case and the remaining shall be incurred but not reported reserve.

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

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

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

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

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand and revolving funds	\$ 15,127	\$ 14,622	\$ 14,353
Checking accounts and demand deposits	13,861,827	11,000,543	9,547,049
Cash equivalents			
Time deposits	1,835,406	2,378,756	2,536,294
Short-term notes and bills	5,589,637	9,748,972	2,461,684
	<u>\$ 21,301,997</u>	<u>\$ 23,142,893</u>	<u>\$ 14,559,380</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group presented its long-term time deposits of \$3,125,439, \$2,446,930 and \$2,002,407 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. For related explanations, please refer to Note 6(6).

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

Items	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at fair value through profit or loss			
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Domestic and foreign beneficiary certificates	\$ 2,424,613	\$ 2,442,236	\$ 1,285,135
Derivative instruments	293,779	-	132,278
Financial instruments	734,327	734,327	583,642
Listed stocks	1,684,737	1,384,924	1,234,654
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	1,242,079	1,158,716	994,915
Valuation adjustment	1,041,717	544,327	107,262
	\$ 7,481,232	\$ 6,324,510	\$ 4,397,866
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Corporate bonds	\$ 1,011,886	\$ 1,011,886	\$ 1,011,039
Financial liabilities at fair value through profit or loss			
Current items:			
Financial liabilities held for trading			
Derivative instruments	\$ -	\$ 407,727	\$ 9,040

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

Items	Three months ended March 31,	
	2024	2023
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 701,506	\$ 233,271
Domestic and foreign beneficiary certificates	21,628	8,202
Financial instruments	501	(668)
Listed stocks	469,535	142,237
Listed preference share	926	10,370
Exchange Traded Funds	169,253	108,722
Corporate bonds	12,878	8,519
	\$ 1,376,227	\$ 510,653

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

	<u>March 31, 2024</u>	
<u>Derivative instruments</u>	<u>Contract amount (Notional principal) (in thousands)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 419,620</u>	2024/01/10~2024/09/16

	<u>December 31, 2023</u>	
<u>Derivative instruments</u>	<u>Contract amount (Notional principal) (in thousands)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 383,850</u>	2023/08/23~2024/06/06

	<u>March 31, 2023</u>	
<u>Derivative instruments</u>	<u>Contract amount (Notional principal) (in thousands)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 431,207</u>	2022/11/22~2023/09/08
	<u>GBP 943</u>	2022/12/12~2023/05/05

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

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

D. On March 31, 2024, December 31, 2023 and March 31, 2023, such financial assets designated using overlay approach are as follows:

Items	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 940,487	\$ 640,675	\$ 696,590
Listed preference shares	59,980	59,980	59,980
Exchange Traded Funds	1,242,079	1,158,716	994,916
Beneficiary certificates	130,000	170,000	270,001
Foreign beneficiary certificates	160,152	160,152	152,730
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	506,478	394,999	155,306
	<u>\$ 3,539,176</u>	<u>\$ 3,084,522</u>	<u>\$ 2,829,523</u>

For the three months ended March 31, 2024 and 2023, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	Three months ended March 31,	
	2024	2023
Gains recognized in profit or loss under IFRS 9	\$ 308,595	\$ 276,005
Less: Gains recognized in profit or loss under IAS 39	197,116	49,941
Gain (losses) reclassified under overlay approach	<u>\$ 111,479</u>	<u>\$ 226,064</u>
Effect from change in tax	<u>(\$ 402)</u>	<u>(\$ 1,717)</u>

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

(a)

Type of structured entities	Book value at March 31, 2024	Book value at December 31, 2023	Book value at March 31, 2023	Description
Real estate private placement fund	<u>\$ 147,411</u>	<u>\$ 145,402</u>	<u>\$ 169,152</u>	Note

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

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

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

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

Items	March 31, 2024	December 31, 2023	March 31, 2023
Non-current items:			
Debt instrument			
Government bonds	\$ 704,419	\$ 704,341	\$ 454,863
Valuation adjustment (including loss allowance)	(5,813)	1,437	1,725
Less: Operation bonds	(398,200)	(398,200)	(398,200)
	300,406	307,578	58,388
Equity instruments			
Listed stocks and unlisted stocks	6,740,267	6,527,135	6,526,940
Valuation adjustment	8,304,810	4,016,267	1,618,470
	15,045,077	10,543,402	8,145,410
	\$ 15,345,483	\$ 10,850,980	\$ 8,203,798

- 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 \$15,045,077, \$10,543,402 and \$8,145,410 respectively, as of March 31, 2024, December 31, 2023 and March 31, 2023.
- B. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of March 31, 2024, December 31, 2023 and March 31, 2023, government bonds with par value of \$398,200 and cash of \$3,802,100 were deposited.

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

Items	Three months ended March 31,	
	2024	2023
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 7,250)	\$ 12,008
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	-	(265)
Reclassified due to derecognition	-	34,903
	<u>(\$ 7,250)</u>	<u>\$ 46,646</u>
Interest income recognized in profit or loss	<u>\$ 2,262</u>	<u>\$ 4,671</u>

Items	Three months ended March 31,	
	2024	2023
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>\$ 4,287,885</u>	<u>\$ 240,745</u>

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

(4) Hedging financial assets and liabilities

	March 31, 2024		December 31, 2023		March 31, 2023	
	Current assets	Current liabilities	Current assets	Current liabilities	Current assets	Current liabilities
Cash flow hedges						
<u>Exchange rate risk and interest rate risk</u>						
Cross currency swaps	<u>\$ 530,868</u>	<u>(\$ 1,459,441)</u>	<u>\$ 570,885</u>	<u>(\$ 1,087,983)</u>	<u>\$ 398,909</u>	<u>(\$ 788,187)</u>

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

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

Hedging instruments	March 31, 2024					Three months ended March 31, 2024			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rates	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges :									
<u>Exchange rate risk and</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	66,800	2022/1/12~ 2025/1/13	\$ 231,430	\$ -	\$ -	6.33~6.55	4.11~5.30	\$ -
	USD	60,000	2023/9/7~ 2026/3/27	5,472	(7,506)	-	31.96~31.97	1.84~1.85	-
	JPY	69,900,000	2021/9/30~ 2026/2/12	-	(1,354,145)	-	0.21~0.25	0.83~2.32	-
	JPY	6,000,000	2023/10/23~ 2027/3/10	-	(97,790)	-	0.05	3.83~4.20	-
	EUR	75,000	2022/9/12~ 2024/9/12	293,966	-	-	30.60	2.04	-
<u>March 31, 2024</u>									
Valuation on									
liabilities' carrying									
Liabilities									
<u>amount due to cash</u>									
<u>carrying amount</u>									
<u>flow hedges</u>									

Hedged items

Cash flow hedges:

Exchange rates risk and interest rate risk

Short-term borrowings

\$ 23,534,754 (\$ 873,748)

Hedging instruments	December 31, 2023					Year ended December 31, 2023			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rates	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges:									
<u>Exchange rate risk and</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	67,550	2022/1/12~ 2025/1/13	\$ 199,234	\$ -	\$ -	6.33~6.55	4.11~5.30	\$ -
	USD	30,000	2023/9/7~ 2024/9/6	-	(30,648)	-	31.97	1.85	-
	JPY	66,100,000	2021/9/30~ 2025/5/2	114,975	(1,042,778)	-	0.21~0.25	0.83~2.32	-
	JPY	4,000,000	2023/10/23~ 2026/10/23	-	(14,557)	-	0.05	4.20	-
	EUR	75,000	2022/9/12~ 2024/9/12	256,676	-	-	30.60	2.04	-

	<u>December 31, 2023</u>
	Valuation on liabilities' carrying amount due to cash flow hedges
Hedged items	
Cash flow hedges:	
<u>Exchange rates risk and interest rate risk</u>	
Short-term borrowings	<u>\$ 21,301,980</u> (<u>\$ 513,765</u>)

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

	<u>March 31, 2023</u>
	Valuation on liabilities' carrying amount due to cash flow hedges
Hedged items	
Cash flow hedges:	
<u>Exchange rates risk and interest rate risk</u>	
Long-term and short-term borrowings	<u>\$ 18,485,566</u> (<u>\$ 462,011</u>)

C. Cash flow hedges

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
<u>Other equity- cash flow hedges reserve</u>		
At January 1	(\$ 11,922)	\$ 156,657
(Losses) gains on hedge effectiveness-amount recognized in other comprehensive income	(44,793)	(108,785)
Reclassified to profit or loss as the hedged item has affected profit or loss	(5,221)	(19,312)
Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	<u>7,815</u>	<u>26,571</u>
At March 31	<u>(\$ 54,121)</u>	<u>\$ 55,131</u>

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Notes receivable	\$ 2,017,307	\$ 1,795,749	\$ 2,498,550
Installment notes receivable	12,034,502	11,907,542	9,814,863
Accounts receivable	7,833,455	8,045,502	8,356,592
Installment accounts receivable	294,122,892	288,529,881	246,795,382
Lease payments and notes receivable	37,413,827	36,084,956	30,071,687
Premiums receivable	550,763	568,670	612,175
Overdue receivable	<u>22,183</u>	<u>54,733</u>	<u>34,481</u>
	353,994,929	346,987,033	298,183,730
Less: Unrealized interest revenue	(39,107,217)	(38,338,575)	(31,247,312)
Unearned finance income of finance lease	(3,627,026)	(3,538,721)	(2,844,264)
Allowance for doubtful accounts	<u>(5,673,113)</u>	<u>(5,490,846)</u>	<u>(4,994,093)</u>
Notes and accounts receivable, net	<u>\$ 305,587,573</u>	<u>\$ 299,618,891</u>	<u>\$ 259,098,061</u>
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current	<u>\$ 291,593,657</u>	<u>\$ 286,128,042</u>	<u>\$ 249,526,816</u>
Non-current (shown as other assets)	<u>\$ 13,993,916</u>	<u>\$ 13,490,849</u>	<u>\$ 9,571,245</u>

A. As of March 31, 2024, December 31, 2023 and March 31, 2023, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$11,425,061, \$12,654,914 and \$9,400,369, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 347,611,692	\$ 342,491,225	\$ 294,473,754
Up to 30 days	1,113,635	290,307	376,632
31 to ~ 90 days	2,736,876	2,494,294	1,912,385
91 to ~ 180 days	2,182,406	1,623,809	1,205,129
Over 180 days	350,320	87,398	215,830
	<u>\$ 353,994,929</u>	<u>\$ 346,987,033</u>	<u>\$ 298,183,730</u>

The above aging analysis was based on past due date.

C. As of March 31, 2024, December 31, 2023 and March 31, 2023, the balances of receivables (including notes receivable) from contracts with customers amounted to \$9,384,619, \$9,551,940, and \$10,832,984, respectively.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Up to 12 months	\$ 99,309,439	\$ 97,087,665	\$ 84,223,679
Over 12 months	206,847,955	203,349,758	172,386,566
	<u>\$ 306,157,394</u>	<u>\$ 300,437,423</u>	<u>\$ 256,610,245</u>

E. Lease payments receivable

Refer to Note 6(13) for more details.

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

(6) Offsetting financial assets and financial liabilities

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

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

March 31, 2024						
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)	
Reverse repurchase agreement	\$ 3,017,229	\$ -	\$ 3,017,229	\$ -	\$ 2,969,012	\$ 48,217
December 31, 2023						
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)	
Reverse repurchase agreement	\$ 3,398,419	\$ -	\$ 3,398,419	\$ -	\$ 3,376,684	\$ 21,735
March 31, 2023						
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)	
Reverse repurchase agreement	\$ 518,424	\$ -	\$ 518,424	\$ -	\$ 511,086	\$ 7,338

(7) Inventories

	March 31, 2024		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 8,827,760	(\$ 279,787)	\$ 8,547,973
Air conditioners and parts	3,831,043	(433,054)	3,397,989
Other goods	537,092	(6,705)	530,387
Inventory in transit	1,921,367	-	1,921,367
	<u>\$ 15,117,262</u>	<u>(\$ 719,546)</u>	<u>\$ 14,397,716</u>

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 10,584,310	(\$ 281,608)	\$ 10,302,702
Air conditioners and parts	3,737,391	(433,054)	3,304,337
Other goods	577,220	(6,705)	570,515
Inventory in transit	2,802,146	-	2,802,146
	<u>\$ 17,701,067</u>	<u>(\$ 721,367)</u>	<u>\$ 16,979,700</u>

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

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

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

	Three months ended March 31,	
	2024	2023
Cost of goods sold	\$ 48,997,970	\$ 47,102,773
Gain on reversal of on market value decline of inventories	(288)	(4,982)
	<u>\$ 48,997,682</u>	<u>\$ 47,097,791</u>

(8) Prepayments

	March 31, 2024	December 31, 2023	March 31, 2023
Prepayments to commissions	\$ 2,477,689	\$ 2,743,722	\$ 2,955,784
Prepayments to suppliers	3,296,590	3,835,740	3,832,715
Offset against business tax payable	251,005	419,882	583,347
Prepaid insurance premiums	731,650	703,742	647,657
Other prepayments	1,442,182	1,252,623	1,305,913
	<u>\$ 8,199,116</u>	<u>\$ 8,955,709</u>	<u>\$ 9,325,416</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Claims recoverable from reinsurers	\$ 391,676	\$ 395,571	\$ 256,995
Due from reinsurance and ceding companies	118,454	51,401	157,945
Reinsurance reserve assets			
-Ceded unearned premium reserve	2,021,738	2,060,022	1,617,514
-Ceded claims reserve	3,257,937	3,608,658	2,655,205
Due from reinsurance and ceding companies-overdue	<u>31,229</u>	<u>27,211</u>	<u>30,712</u>
	5,821,034	6,142,863	4,718,371
Less: Loss allowance	(31,661)	(22,299)	(15,842)
	<u>\$ 5,789,373</u>	<u>\$ 6,120,564</u>	<u>\$ 4,702,529</u>

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current	\$ 4,147,756	\$ 4,312,902	\$ 3,394,591
Non-current (shown as other assets)	\$ 1,641,617	\$ 1,807,662	\$ 1,307,938

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>2024</u>	<u>2023</u>
At January 1	\$ 22,299	\$ 14,099
Provision during the period	9,362	1,743
At March 31	<u>\$ 31,661</u>	<u>\$ 15,842</u>

C. Details of insurance liabilities are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Unearned premium reserve	\$ 7,035,142	\$ 6,728,241	\$ 6,703,277
Claims reserve	8,365,753	8,927,367	8,581,954
Special reserve	1,714,873	1,695,060	1,659,243
Premium deficiency reserve	7,959	7,659	3,097,650
	<u>\$ 17,123,727</u>	<u>\$ 17,358,327</u>	<u>\$ 20,042,124</u>

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current (shown as other current liabilities)	\$ 11,561,464	\$ 11,751,999	\$ 15,102,107
Non-current (shown as provisions)	\$ 5,562,263	\$ 5,606,328	\$ 4,940,017

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

	2024		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 6,728,241	\$ 2,060,022	\$ 4,668,219
Provision during the period	7,035,142	2,021,738	5,013,404
Recovery during the period	(6,728,241)	(2,060,022)	(4,668,219)
At March 31	<u>\$ 7,035,142</u>	<u>\$ 2,021,738</u>	<u>\$ 5,013,404</u>

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

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

(a) As of March 31, 2024, December 31, 2023 and March 31, 2023, details of claims reserve and ceded claims reserve are as follows:

	March 31, 2024		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 3,631,127	\$ 1,643,849	\$ 1,987,278
Incurred but not reported	4,734,626	1,614,088	3,120,538
	<u>\$ 8,365,753</u>	<u>\$ 3,257,937</u>	<u>\$ 5,107,816</u>

	December 31, 2023		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 3,852,081	\$ 1,824,261	\$ 2,027,820
Incurred but not reported	5,075,286	1,784,397	3,290,889
	<u>\$ 8,927,367</u>	<u>\$ 3,608,658</u>	<u>\$ 5,318,709</u>

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

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

	2024		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 8,927,367	\$ 3,608,658	\$ 5,318,709
Provision during the period	8,365,753	3,257,937	5,107,816
Recovery during the period	(8,927,367)	(3,608,658)	(5,318,709)
At March 31	<u>\$ 8,365,753</u>	<u>\$ 3,257,937</u>	<u>\$ 5,107,816</u>

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

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

	2024		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 7,659	\$ -	\$ 7,659
Provision during the period	7,959	-	7,959
Recovery during the period	(7,659)	-	(7,659)
At March 31	<u>\$ 7,959</u>	<u>\$ -</u>	<u>\$ 7,959</u>

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

G. Movement of special reserve is as follows:

	2024	2023
At January 1	\$ 1,695,060	\$ 1,647,788
Provision during the period	19,813	11,455
At March 31	<u>\$ 1,714,873</u>	<u>\$ 1,659,243</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. 11204940091, “Guidelines for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, special reserve recognized under liabilities shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon flood insurance. The remaining, net of income tax, shall be recognized as special reserve under stockholders’ equity in accordance with IAS 12.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Decrease in special reserve under liability	\$ 33,450	\$ 33,450	\$ 33,450
Increase in special reserve under retained earnings	38,334	38,334	38,334
		<u>Three months ended March 31,</u>	
		<u>2024</u>	<u>2023</u>
Increase in net loss / decrease in net income before tax		\$ -	\$ -
Increase in loss / decrease in earnings per share before tax		-	-

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Decrease in special reserve under liability	\$ 223,894	\$ 223,894	\$ 223,894
Increase in special reserve under retained earnings	185,832	185,832	185,832

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the three months ended March 31, 2024 and 2023.

(10) Investments accounted for using the equity method

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Kuozui Motors, Ltd.	\$ 7,156,020	\$ 6,782,034	\$ 6,293,104
Central Motor Co., Ltd.	2,958,343	2,905,564	2,823,866
Tau Miao Motor Co., Ltd.	2,056,038	2,004,989	1,882,321
Kau Du Automobile Co., Ltd.	1,575,071	1,544,248	1,511,116
Kuotu Motor Co., Ltd.	1,690,905	1,626,315	1,523,423
Taipei Toyota Motor Co., Ltd.	1,537,606	1,467,974	1,392,213
Nan Du Motor Co., Ltd.	1,367,293	1,318,219	1,268,410
Lang Yang Toyota Motor Co., Ltd.	315,304	311,454	313,610
Ly Hour Leasing PLC	552,142	547,724	-
Heng Fong Energy Co., Ltd.	404,279	405,316	-
Formosa Flexible Packaging Corp.	403,743	401,697	398,959
Yokohama Tire Taiwan Co., Ltd., etc.	<u>2,306,772</u>	<u>2,191,378</u>	<u>2,642,837</u>
	<u>\$ 22,323,516</u>	<u>\$ 21,506,912</u>	<u>\$ 20,049,859</u>

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

As of March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amount of the Group's individually immaterial associates amounted to \$22,323,516, \$21,506,912, and \$20,049,859, respectively.

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Comprehensive income for the period	<u>\$ 2,876,606</u>	<u>\$ 818,258</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 \$765,473 and \$811,654 for the three months ended March 31, 2024 and 2023, respectively, and were valued based on the investees' financial statements that were reviewed by independent auditors.

(11) Property, plant and equipment

	2024										
	Utility equipment				Office equipment		Machinery and equipment			Construction in progress and prepayment for real estate	Total
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)	Leasehold improvements		
<u>At January 1,</u>											
Cost	\$ 11,647,483	\$ 7,397,775	\$ 128,252	\$ 59,990	\$ 5,004,159	\$ 733,181	\$ 673,513	\$ 64,166,956	\$ 846,694	\$ 1,349,860	\$ 92,007,863
Accumulated depreciation and impairment	(26,850)	(2,716,529)	(121,389)	(59,894)	(1,821,585)	(367,818)	(405,757)	(19,856,566)	(613,572)	-	(25,989,960)
	<u>\$ 11,620,633</u>	<u>\$ 4,681,246</u>	<u>\$ 6,863</u>	<u>\$ 96</u>	<u>\$ 3,182,574</u>	<u>\$ 365,363</u>	<u>\$ 267,756</u>	<u>\$ 44,310,390</u>	<u>\$ 233,122</u>	<u>\$ 1,349,860</u>	<u>\$ 66,017,903</u>
Opening net book amount as at January 1	\$ 11,620,633	\$ 4,681,246	\$ 6,863	\$ 96	\$ 3,182,574	\$ 365,363	\$ 267,756	\$ 44,310,390	\$ 233,122	\$ 1,349,860	\$ 66,017,903
Additions	-	10,614	2,444	-	190,609	18,225	8,754	6,061,821	19,428	380,070	6,691,965
Acquired through business combination	-	-	-	-	363,860	-	-	-	-	-	363,860
Disposals	-	(56)	-	-	(5,539)	(361)	(387)	(11,648)	-	-	(17,991)
Reclassifications	170,841	228,750	-	-	(13,041)	(4,334)	2,463	(1,871,281)	-	(71,178)	(1,557,780)
Reclassifications to property held for sale	(91,625)	(7,582)	-	-	-	-	-	-	-	-	(99,207)
Depreciation charge	-	(60,677)	(419)	(11)	(111,674)	(39,544)	(11,111)	(2,983,944)	(15,620)	-	(3,223,000)
Reversal of impairment loss	-	-	-	-	-	891	-	-	-	-	891
Net exchange differences	-	16,030	78	-	8,616	1,628	754	20,834	521	-	48,461
Closing net book amount as at March 31	<u>\$ 11,699,849</u>	<u>\$ 4,868,325</u>	<u>\$ 8,966</u>	<u>\$ 85</u>	<u>\$ 3,615,405</u>	<u>\$ 341,868</u>	<u>\$ 268,229</u>	<u>\$ 45,526,172</u>	<u>\$ 237,451</u>	<u>\$ 1,658,752</u>	<u>\$ 68,225,102</u>
<u>At March 31,</u>											
Cost	\$ 11,726,699	\$ 7,647,062	\$ 130,887	\$ 59,990	\$ 5,600,316	\$ 720,453	\$ 687,234	\$ 66,019,482	\$ 867,231	\$ 1,658,752	\$ 95,118,106
Accumulated depreciation and impairment	(26,850)	(2,778,737)	(121,921)	(59,905)	(1,984,911)	(378,585)	(419,005)	(20,493,310)	(629,780)	-	(26,893,004)
	<u>\$ 11,699,849</u>	<u>\$ 4,868,325</u>	<u>\$ 8,966</u>	<u>\$ 85</u>	<u>\$ 3,615,405</u>	<u>\$ 341,868</u>	<u>\$ 268,229</u>	<u>\$ 45,526,172</u>	<u>\$ 237,451</u>	<u>\$ 1,658,752</u>	<u>\$ 68,225,102</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.

2023

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

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

(12) Leasing arrangements - lessee

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land (including superficies)	\$ 1,928,063	\$ 1,933,217	\$ 2,190,520
Buildings and structures	1,595,957	1,531,832	1,598,824
Machinery and equipment	822	1,096	1,918
Office equipment	6,779	7,539	9,096
	<u>\$ 3,531,621</u>	<u>\$ 3,473,684</u>	<u>\$ 3,800,358</u>

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	\$ 41,564	\$ 42,851
Buildings and structures	104,080	98,012
Machinery and equipment	274	274
Office equipment	1,203	959
	<u>\$ 147,121</u>	<u>\$ 142,096</u>

C. For the three months ended March 31, 2024 and 2023, the additions to right-of-use assets amounted to \$156,597 and \$413,353, respectively.

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

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,910	\$ 11,928
Expense on short-term lease contracts and leases of low-value assets	43,813	39,423
Gain on lease modification	15	72

E. For the three months ended March 31, 2024 and 2023, the Group's total cash outflow for lease amounted to \$176,362 and \$283,439 respectively.

(13) Leasing arrangements - lessor

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

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

	Three months ended March 31,	
	2024	2023
Finance income from the net investment in the finance lease	\$ 952,703	\$ 813,910

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

	March 31, 2024	December 31, 2023	March 31, 2023
Less than 1 year	\$ 24,160,556	\$ 22,364,062	\$ 20,096,730
Between 1 and 2 years	9,251,686	8,599,444	7,392,230
Between 2 and 3 years	2,576,250	2,377,689	1,930,459
Between 3 to 4 years	848,078	690,499	420,114
Between 4 to 5 years	488,330	466,291	230,252
More than 6 years	37,232	31,769	1,480
	<u>\$ 37,362,132</u>	<u>\$ 34,529,754</u>	<u>\$ 30,071,265</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Undiscounted lease payments	\$ 37,362,132	\$ 34,529,754	\$ 30,071,265
Unearned finance income	(3,627,026)	(3,538,721)	(2,844,264)
Net investment in the lease	<u>\$ 33,735,106</u>	<u>\$ 30,991,033</u>	<u>\$ 27,227,001</u>

- E. For the three months ended March 31, 2024 and 2023, the Group recognized rent income in the amount of \$5,041,678 and \$4,710,325, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Less than 1 year	\$ 13,963,392	\$ 13,578,521	\$ 12,460,995
Between 1 and 2 years	9,073,129	8,755,196	7,890,724
Between 2 and 3 years	4,550,791	4,374,618	3,742,507
Between 3 to 4 years	1,615,417	1,557,098	1,295,846
Between 4 to 5 years	531,780	549,534	447,242
More than 6 years	24,926	26,893	18,182
	<u>\$ 29,759,435</u>	<u>\$ 28,841,860</u>	<u>\$ 25,855,496</u>

(14) Investment property

	2024		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,161,867	\$ 1,462,420	\$ 2,624,287
Accumulated depreciation	-	(283,588)	(283,588)
	<u>\$ 1,161,867</u>	<u>\$ 1,178,832</u>	<u>\$ 2,340,699</u>
Opening net book amount as at January 1	\$ 1,161,867	\$ 1,178,832	\$ 2,340,699
Additions	-	85	85
Disposals	-	(85)	(85)
Reclassifications	(141,588)	(148,781)	(290,369)
Reclassifications to property held for sale	(106,033)	(12,833)	(118,866)
Depreciation	-	(5,235)	(5,235)
Net exchange differences	-	244	244
Closing net book amount as at March 31	<u>\$ 914,246</u>	<u>\$ 1,012,227</u>	<u>\$ 1,926,473</u>
Cost	\$ 914,246	\$ 1,286,796	\$ 2,201,042
Accumulated depreciation	-	(274,569)	(274,569)
	<u>\$ 914,246</u>	<u>\$ 1,012,227</u>	<u>\$ 1,926,473</u>
	2023		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,825,260	\$ 1,408,890	\$ 3,234,150
Accumulated depreciation	-	(333,226)	(333,226)
	<u>\$ 1,825,260</u>	<u>\$ 1,075,664</u>	<u>\$ 2,900,924</u>
Opening net book amount as at January 1	\$ 1,825,260	\$ 1,075,664	\$ 2,900,924
Reclassifications	(21,978)	-	(21,978)
Depreciation	-	(5,985)	(5,985)
Net exchange differences	-	1,676	1,676
Closing net book amount as at March 31	<u>\$ 1,803,282</u>	<u>\$ 1,071,355</u>	<u>\$ 2,874,637</u>
Cost	\$ 1,803,282	\$ 1,432,537	\$ 3,235,819
Accumulated depreciation	-	(361,182)	(361,182)
	<u>\$ 1,803,282</u>	<u>\$ 1,071,355</u>	<u>\$ 2,874,637</u>

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

	Three months ended March 31,	
	2024	2023
Rental income from investment property	\$ 36,568	\$ 45,052
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 7,716	\$ 8,932

- B. The fair value of the investment properties held by the Group was \$2,808,136, \$3,362,006 and \$3,899,480 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. Except for the subsidiary, Hotai Insurance Co., Ltd., other values are based on the recent transaction prices of similar properties in the respective regions of investment properties, taking into account factors such as location, scale, and usage.

Hotai Insurance Co., Ltd. appoints external independent appraisers to calculate and estimate the price of investment property every three years using at least two appraisal techniques among income approach, comparison method and cost approach, basing on observable price in an active market as well as according to the nature, location and situation of individual asset under “Regulations on Real Estate Appraisal”. The most recent appraisal appointed by an external independent appraisers was in 2021. 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

	2024		
	Goodwill	Other intangible assets	Total
<u>At January 1</u>			
Cost	\$ 719,130	\$ 1,005,355	\$ 2,251,591
Accumulated amortization and impairment	(662,323)	(389,298)	(1,578,727)
	<u>\$ 56,807</u>	<u>\$ 616,057</u>	<u>\$ 672,864</u>
Opening net book amount as at January 1	\$ 56,807	\$ 616,057	\$ 672,864
Additions-acquired separately	-	10,892	10,892
Additions-acquired through business combinations	-	133,307	133,307
Reclassifications	-	4,464	4,464
Amortization	-	(27,676)	(27,676)
Net change differences	-	736	736
Closing net book amount as at March 31	<u>\$ 56,807</u>	<u>\$ 737,780</u>	<u>\$ 794,587</u>
<u>March 31,</u>			
Cost	\$ 719,130	\$ 1,200,442	\$ 2,446,678
Accumulated amortization and impairment	(662,323)	(462,662)	(1,652,091)
	<u>\$ 56,807</u>	<u>\$ 737,780</u>	<u>\$ 794,587</u>

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

Details of amortization of intangible assets are as follows:

	Three months ended March 31,		
	2024	2023	
Administrative expenses	\$ 27,676	\$ 19,092	
(16) <u>Other assets</u>			
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 15,144,808	\$ 14,595,600	\$ 10,560,656
Reinsurance contract assets	1,641,617	1,807,662	1,307,938
Operation bonds	4,200,300	4,200,300	4,200,300
Guarantee deposits paid	685,208	677,137	635,855
Prepayments for business facilities	450,697	364,172	403,849
Others	2,347,378	2,015,600	1,782,086
	<u>\$ 24,470,008</u>	<u>\$ 23,660,471</u>	<u>\$ 18,890,684</u>
(17) <u>Short-term borrowings</u>			
<u>Type of loans</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Bank borrowings			
Unsecured borrowings	\$ 71,992,196	\$ 55,608,821	\$ 78,252,622
Mortgage borrowings	7,100,678	6,078,047	6,683,555
Mid-term syndicated loans for working capital	38,686,496	39,777,833	24,041,616
	<u>\$ 117,779,370</u>	<u>\$ 101,464,701</u>	<u>\$ 108,977,793</u>
Annual interest rate	<u>0.49%~6.33%</u>	<u>0.49%~6.33%</u>	<u>0.57%~5.36%</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, the details of loans are as follows:

- A. The Group uses cross currency swap agreement to control the exchange rate risk and interest rate risk. After the cross-currency swap, the rate range of short-term loans were 0.83%~4.40%, 0.83%~4.40% and 0.83%~4.60%, respectively.
- B. The subsidiary, Hotai Finance Co., Ltd., has entered into a mid-term syndicated contract for a credit line of \$ 29,500,000 with 11 financial institutions including CTBC Bank Co., Ltd., in order to fulfil its working capital. The duration is 36 months (from the date of the loan first being used). The loan can be drawn several times and is revolving. As of March 31, 2024, the loan has not yet been used.
- C. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 510 million with 6 financial institutions including E.SUN Commercial Bank, Ltd. in order to fulfil its working capital. The duration is 36 months (from March 25, 2024, to March 25, 2027). 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.
- D. The subsidiary, He Jing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of \$ 10 billion with 12 financial institutions including Mega International Commercial Bank Ltd. in order to fulfil its working capital. The duration is 36 months (starting from July 12, 2023 to July 12, 2026). The loan can be drawn several times and is revolving. The payment terms 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 \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from February 24, 2023 to February 24, 2026). The loan can be drawn several times. Of the total loan, \$6,025,000 is non-revolving and the payment term is to repay the full drawn amount at the maturity date. The remaining amount of \$7,975,000 is revolving and the payment term is to repay the full drawn amount at the maturity date.
- F. 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, 2023, to December 6, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the full amount at the maturity date.
- G. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 980 million with 12 financial institutions including Mizuho Bank, Ltd. in order to fulfil its working capital. 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. The subsidiary, Hotai Finance Co., Ltd., 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.
- I. 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.

- J. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Co., Ltd., in order to fulfil its working capital. The duration is 36 months (from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- K. Financial commitments of the Group made for the above mentioned syndicated loans and partial loans from other financial institutions require the Group to maintain specific current ratio, ratio of self-owned capital, interest coverage ratio, net value, debt/equity ratio and non-performing loans ratio during the contract periods.

(18) Short-term notes and bills payable

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Commercial paper payable	\$ 139,013,400	\$ 148,251,742	\$ 122,573,400
Less: Unamortized discount	(176,468)	(135,653)	(105,743)
	<u>\$ 138,836,932</u>	<u>\$ 148,116,089</u>	<u>\$ 122,467,657</u>
Annual interest rate	<u>0.70% ~ 2.19%</u>	<u>0.70% ~ 2.63%</u>	<u>0.66% ~ 2.02%</u>

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Bonds payable	<u>\$ 31,200,000</u>	<u>\$ 31,200,000</u>	<u>\$ 26,200,000</u>

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

- A. The second unsecured ordinary corporate bonds was issued in 2023. The total amount was \$5,000,000, the coupon rate was 1.49% with a 2-year period, the outstanding period was from October 27, 2023 to October 27, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- B. The first unsecured ordinary corporate bonds was issued in 2023. The total amount was \$4,000,000, the coupon rate was 1.50% with a 5-year period, the outstanding period was from March 28, 2023 to March 28, 2028, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. 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.
- D. 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.
- E. 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.
- F. 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.
- G. The first unsecured ordinary corporate bonds was issued in 2020. The total amount was \$7,000,000, the coupon rate was 0.70% with a 5-year period, the outstanding period was from April 22, 2020 to April 22, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.

(20) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2024	December 31, 2023	March 31, 2023
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%~6.47%	None	\$ 150,880	\$ 146,948	\$ 146,459
	From October 2022 to June 2024; interest is repayable monthly	1.66%~1.80%	None	-	-	6,000,000
	From August 2022 to December 2026; interest is repayable monthly	1.58%~2.03%	None	4,000,000	4,000,000	-
	From August 2022 to December 2025; interest is repayable monthly	1.58%~2.01%	None	-	-	300,000
	From January 2023 to March 2030; interest and principal is repayable monthly	2.29%~2.39%	None	234,159	808,128	-
	From May 2022 to May 2025; interest is repayable monthly	1.945%	None	6,000,000	15,000,000	-
Commercial papers payable	From February 2021 to March 2025	0.65%~1.945%	Notes receivable for lease payments (please refer to Note 8)	-	4,096,875	-
	From June 2021 to March 2025	0.65%~1.97%	Notes receivable for lease payments (please refer to Note 8)	3,096,743	-	-
	From June 2021 to December 2025	0.65%~2.01%	Notes receivable for lease payments (please refer to Note 8)	-	-	6,594,002
Secured borrowings	Borrowing period is from July 2019 to December 2030; interest and principal is repayable monthly	2.27%~2.81%	Property, plant and equipment (please refer to Note 8)	1,465,504	576,338	-
	Borrowing period is from July 2019 to March 2030; interest and principal is repayable monthly	2.21%~2.68%	Property, plant and equipment (please refer to Note 8)	-	-	508,168
Less: long-term liabilities, current portion				\$ 14,947,286	\$ 24,628,289	\$ 13,548,629
				(3,513,471)	(4,192,090)	(2,571,399)
				<u>\$ 11,433,815</u>	<u>\$ 20,436,199</u>	<u>\$ 10,977,230</u>
Interest rate range				<u>0.65%~6.47%</u>	<u>0.65%~6.47%</u>	<u>0.65%~2.68%</u>

As of March 31, 2024, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 3,513,471
1 to 2 years	424,402
2 to 3 years	10,009,220
over 3 years	1,000,193
	<u>\$ 14,947,286</u>

(21) Accrued expenses

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Wages and salaries payable	\$ 2,704,274	\$ 2,930,262	\$ 2,297,940
Dealer bonus payable	299,391	347,438	291,893
Remuneration payable to employees	956,496	932,027	662,912
Remuneration payable to directors	610,754	473,011	119,287
Interest payable	488,172	409,982	356,991
Others	2,166,034	2,519,727	1,867,862
	<u>\$ 7,225,121</u>	<u>\$ 7,612,447</u>	<u>\$ 5,596,885</u>

(22) Pensions

Defined contribution pension plan

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

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

C. The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2024 and 2023, were \$103,939 and \$87,060, respectively.

(23) Provisions

	<u>2024</u>	<u>2023</u>
At January 1	\$ 5,691,364	\$ 4,928,549
Additional provisions during the period	478,815	470,304
Used during the period	(220,538)	(186,133)
Unused amounts reversed	(94,395)	(57,349)
At March 31	<u>\$ 5,855,246</u>	<u>\$ 5,155,371</u>

Analysis of provision for warranty is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current (shown as other current liabilities)	\$ 1,081,329	\$ 1,110,548	\$ 1,071,098
Non-current	<u>\$ 4,773,917</u>	<u>\$ 4,580,816</u>	<u>\$ 4,084,273</u>

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

(24) Guarantee deposits received

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Deposits received for car rentals	\$ 18,915,463	\$ 18,404,530	\$ 17,246,735
Others	95,103	102,692	57,669
	<u>\$ 19,010,566</u>	<u>\$ 18,507,222</u>	<u>\$ 17,304,404</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current (shown as other current liabilities)	\$ 9,196,824	\$ 9,075,597	\$ 8,854,750
Non-current	\$ 9,813,742	\$ 9,431,626	\$ 8,449,654

(25) Share capital

On June 27, 2023, the Company, through a resolution of the shareholders' meeting, decided to execute a capital increase for the issuance of new shares based on undistributed earnings of \$109,236. This involved issuing 10,923,584 new shares with a par value of \$10 per share. The capital increase was approved by the Financial Supervisory Commission and became effective on August 9, 2023. As of March 31, 2024, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,571,028 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The Company has issued 557,102,768 ordinary shares.

(26) Capital surplus

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

(27) Retained earnings

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

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

The Board of Directors of the Company may distribute all or part of the dividends and bonuses in cash by the adoption of a resolution by a majority voting of the directors present at a meeting of its board of directors attended by two-thirds of the directors of the company, and report to the shareholders' meeting, to which the aforementioned provision should be resolved by the shareholders' meeting shall not be applied.

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

- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022 issued by FSC on March 31, 2021, 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 subsequently, the reversed amount could be included in the distributable earnings.
- D. On June 27, 2023, the stockholders resolved those total dividends for the distribution of earnings for the year 2022 was \$1,201,594 consisting of \$2 in dollars of cash dividend and \$0.2 in dollars of stock dividend per share.
- E. On March 13, 2024, the Board of Directors resolved those total dividends for the distribution of earnings for the year of 2023 was \$11,142,055 consisting of \$20 in dollars of cash dividend per share.
- F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(32).

(28) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

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

Three months ended March 31, 2024

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 41,829,612	\$ 439,940	\$ 2,510,571	\$ 15,417,603	\$ 60,197,726
Inter segments	(2,189,769)	(87)	(104,092)	(2,042,387)	(4,336,335)
Revenue from external customer contracts	<u>\$ 39,639,843</u>	<u>\$ 439,853</u>	<u>\$ 2,406,479</u>	<u>\$ 13,375,216</u>	<u>\$ 55,861,391</u>
Timing of revenue recognition					
At a point in time	\$ 39,639,843	\$ 398,965	\$ 2,406,479	\$ 12,838,991	\$ 55,284,278
Over time	-	40,888	-	536,225	577,113
	<u>\$ 39,639,843</u>	<u>\$ 439,853</u>	<u>\$ 2,406,479</u>	<u>\$ 13,375,216</u>	<u>\$ 55,861,391</u>

Three months ended March 31, 2023

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

B. Contract assets and liabilities

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Contract assets:			
Contract assets - construction contracts	<u>\$ 97,922</u>	<u>\$ 106,655</u>	<u>\$ 82,689</u>
Contract liabilities:			
Contract liabilities - sales of goods	\$ 1,494,869	\$ 1,447,571	\$ 1,169,091
Contract liabilities -customer loyalty programs	<u>2,508</u>	<u>2,004</u>	<u>1,764</u>
	<u>\$ 1,497,377</u>	<u>\$ 1,449,575</u>	<u>\$ 1,170,855</u>

For the three months ended March 31, 2024 and 2023, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$849,557 and \$926,069, respectively.

(29) Interest income

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Installment revenue	\$ 4,845,906	\$ 3,915,764
Finance leasing revenue	952,703	813,910
Interest from deposits and short-term notes	89,968	76,857
Other interest income	<u>27,030</u>	<u>15,948</u>
	<u>\$ 5,915,607</u>	<u>\$ 4,822,479</u>

(30) Premium

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Written premium	\$ 3,361,565	\$ 3,140,282
Reinsurance premium	136,902	167,226
Less: Reinsurance expense	(1,122,924)	(1,113,286)
Net change in unearned premiums reserve	<u>(345,184)</u>	<u>14,323</u>
	<u>\$ 2,030,359</u>	<u>\$ 2,208,545</u>

(31) Expenses by nature

	Three months ended March 31,	
	2024	2023
Employee benefit expense	\$ 3,083,292	\$ 2,696,386
Depreciation	3,375,356	3,153,165
Amortization	35,172	35,001
	<u>\$ 6,493,820</u>	<u>\$ 5,884,552</u>

(32) Employee benefit expense

	Three months ended March 31,	
	2024	2023
Wages and salaries	\$ 2,635,459	\$ 2,297,725
Labor and health insurance fees	189,795	183,102
Pension costs	103,939	87,060
Other personnel expenses	154,099	128,499
	<u>\$ 3,083,292</u>	<u>\$ 2,696,386</u>

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

B. For the three months ended March 31, 2024 and 2023, employees' remuneration were accrued at \$68,871 and \$59,643 respectively; while directors' remuneration were accrued at \$137,743 and \$119,287, respectively. The aforementioned amounts were recognized in salary expenses.

From January 1, 2024 to March 31, 2024, a provision of 1% and 2% was made based on the profit situation up to the current period.

On March 13, 2024, the employees' compensation and directors' remuneration that were resolved at the meeting of Board of Directors amounted to \$236,505 and \$473,011, respectively. The amount is consistent with the financial statements recognized in 2023.

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

(33) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2024	2023
Current tax:		
Current tax expense recognized in the current period	\$ 1,375,189	\$ 1,442,288
Total current tax	<u>1,375,189</u>	<u>1,442,288</u>
Deferred tax:		
Origination and reversal of temporary differences	202,325	(35,090)
Total deferred tax	<u>202,325</u>	<u>(35,090)</u>
Income tax expense	<u>\$ 1,577,514</u>	<u>\$ 1,407,198</u>

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

	Three months ended March 31,	
	2024	2023
Cash flow hedges	<u>(\$ 7,815)</u>	<u>(\$ 26,571)</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 9,022</u>
Changes in fair value of financial assets designated using overlay approach	<u>\$ 402</u>	<u>(\$ 1,717)</u>

B. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(35) Changes in liabilities from financing activities

	2024			
	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans
January 1	\$ 101,464,701	\$ 148,116,089	\$ 35,392,090	\$ 20,436,199
Changes in cash flow from financing activities	16,676,130	(9,279,157)	-	(9,684,935)
Impact of changes in foreign exchange rate	-	-	3,671	4,142
Changes in other non-cash items	(361,461)	-	(682,290)	678,409
March 31	<u>\$ 117,779,370</u>	<u>\$ 138,836,932</u>	<u>\$ 34,713,471</u>	<u>\$ 11,433,815</u>
	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1	\$ 18,507,222	\$ 2,206,958	\$ 6,201	\$ 326,129,460
Changes in cash flow from financing activities	503,344	(120,639)	-	(1,905,257)
Impact of changes in foreign exchange rate	-	21,448	-	29,261
Changes in other non-cash items	-	156,235	12,357,124	12,148,017
March 31	<u>\$ 19,010,566</u>	<u>\$ 2,264,002</u>	<u>\$ 12,363,325</u>	<u>\$ 336,401,481</u>
	2023			
	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans
January 1	\$ 105,333,597	\$ 114,640,213	\$ 24,305,569	\$ 12,399,285
Changes in cash flow from financing activities	3,790,193	7,827,444	4,000,000	(955,125)
Impact of changes in foreign exchange rate	33,077	-	(1,100)	-
Changes in other non-cash items	(179,074)	-	466,930	(466,930)
March 31	<u>\$ 108,977,793</u>	<u>\$ 122,467,657</u>	<u>\$ 28,771,399</u>	<u>\$ 10,977,230</u>
	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1	\$ 16,941,150	\$ 2,380,827	\$ 7,145	\$ 276,007,786
Changes in cash flow from financing activities	363,254	(232,088)	-	14,793,678
Impact of changes in foreign exchange rate	-	5,197	-	37,174
Changes in other non-cash items	-	300,314	2,108,750	2,229,990
March 31	<u>\$ 17,304,404</u>	<u>\$ 2,454,250</u>	<u>\$ 2,115,895</u>	<u>\$ 293,068,628</u>

7. Related Party Transactions

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

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

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 & 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.	"

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

(2) Significant related party transactions and balances

A. Revenue

	Three months ended March 31,	
	2024	2023
(a) Sales revenue:		
-Associates		
Central Motor	\$ 8,288,136	\$ 7,677,432
Tau Miao	7,670,244	7,012,918
Taipei Motor	6,104,509	5,704,487
Kau Du	5,825,216	5,287,062
Kuotu	5,548,357	5,252,630
Nan Du	5,142,087	4,564,550
Others	1,576,600	1,386,310
-Entities controlled by key management	29,801	28,412
	<u>\$ 40,184,950</u>	<u>\$ 36,913,801</u>

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

	Three months ended March 31,	
	2024	2023
(b) Rental revenue:		
-Associates	\$ 36,923	\$ 35,513
-Entities controlled by key management	1,064	2,572
	<u>\$ 37,987</u>	<u>\$ 38,085</u>

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

B. Expenditures

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 15,465,905	\$ 17,455,350
Others	677,624	596,096
-Entities controlled by key management		
TMC	12,699,326	16,720,054
Others	3,289,244	2,689,013
	<u>\$ 32,132,099</u>	<u>\$ 37,460,513</u>

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. (“TMCI”), TMAP, TMS and TME. Payment terms are shown in table 7 of Note 13(1) Significant transactions information.

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(b) Warranty cost:		
-Associates		
Central Motor	\$ 28,914	\$ 24,177
Kuotu	27,441	23,437
Tau Miao	25,921	21,099
Kau Du	20,878	14,677
Nan Du	16,048	12,346
Taipei Motor	15,025	15,537
Others	3,067	3,085
-Entities controlled by key management	-	672
	<u>\$ 137,294</u>	<u>\$ 115,030</u>

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(c) Freight:		
-Associates		
Fan Tai	\$ 59,677	\$ 48,799
Yi Tai	38,657	48,844
Others	548	696
	<u>\$ 98,882</u>	<u>\$ 98,339</u>

	Three months ended March 31,	
	2024	2023
(d) Commission expense:		
-Entities controlled by key management		
Ho An	\$ 364,936	\$ 330,385
	Three months ended March 31,	
	2024	2023
(e) Others:		
-Associates		
Kuotu	\$ 1,773,377	\$ 1,841,365
Kau Du	1,000,796	1,050,136
Tau Miao	963,683	1,212,277
Taipei Motor	615,537	890,064
Nan Du	323,723	138,127
Central Motor	-	776
	<u>\$ 4,677,116</u>	<u>\$ 5,132,745</u>

As described in Note 4(43), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 7 of Note 13(1) significant transactions information.

C. Receivables from (payables to) related parties

	March 31, 2024	December 31, 2023	March 31, 2023
(a) Receivables from related parties:			
-Associates	\$ 3,007,071	\$ 3,694,442	\$ 3,119,015
-Entities controlled by key management	26,562	12,562	22,584
	<u>\$ 3,033,633</u>	<u>\$ 3,707,004</u>	<u>\$ 3,141,599</u>
	March 31, 2024	December 31, 2023	March 31, 2023
(b) Other receivables from related parties:			
-Associates	\$ 218,300	\$ 192,257	\$ 189,024
-Entities controlled by key management	4,494	9,532	5,119
	<u>\$ 222,794</u>	<u>\$ 201,789</u>	<u>\$ 194,143</u>

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
(c) Accounts payable:			
-Associates			
Kuozui	\$ 1,392,843	\$ 1,561,055	\$ 1,384,832
Others	698,002	716,948	628,921
-Entities controlled by key management			
TMC	4,374,421	4,812,353	7,354,276
Others	551,176	520,857	555,791
	<u>\$ 7,016,442</u>	<u>\$ 7,611,213</u>	<u>\$ 9,923,820</u>
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
(d) Accrued expenses and other payables:			
-Associates	\$ 277,624	\$ 386,454	\$ 256,180
-Entities controlled by key management	1,105	1,391	488
	<u>\$ 278,729</u>	<u>\$ 387,845</u>	<u>\$ 256,668</u>
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	\$ 119,841	\$ 129,850	\$ 99,849
D. <u>Prepayments to suppliers</u>			
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
-Entities controlled by key management	<u>\$ 158,107</u>	<u>\$ 109,234</u>	<u>\$ 68,862</u>
E. <u>Property transactions</u>			
Acquisition of rental assets and equipment			
		<u>Three months ended March 31,</u>	
		<u>2024</u>	<u>2023</u>
-Associates			
Kuotu		\$ 1,245,160	\$ 946,345
Taipei Motor		686,842	362,735
Central Motor		395,710	388,334
Tau Miao		419,913	285,758
Others		459,990	418,261
-Entities controlled by key management		-	2,772
		<u>\$ 3,207,615</u>	<u>\$ 2,404,205</u>

F. Leasing arrangements - lessee

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Lease liabilities:			
-Entities controlled by key management			
Ho Yu	\$ 45,986	\$ 51,470	\$ 61,496
- Associates	931	3,364	11,220
	<u>\$ 46,917</u>	<u>\$ 54,834</u>	<u>\$ 72,716</u>

G. Loans to related parties

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
-Associates			
Chongqing Taikang Heling	<u>\$ 132,911</u>	<u>\$ 129,672</u>	<u>\$ 133,208</u>

(3) Key management remuneration

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Salaries and other short-term employee benefits	<u>\$ 161,050</u>	<u>\$ 143,269</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	<u>Purpose</u>
Notes and accounts receivable (Note 1)	\$ 11,425,061	\$ 12,654,914	\$ 9,400,369	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 2)	398,200	398,200	398,200	Operation bonds
Guarantee deposits paid	4,487,308	4,479,237	4,437,955	Operation bonds and performance bonds
Restricted assets (Note 3)				
-Demand and time deposits	904,882	613,874	760,560	Short-term borrowings, performance guarantee and issuance of L/C (Note 4)
-Property, plant and equipment	1,829,723	1,310,352	974,453	Long-term borrowings
	<u>\$ 19,045,174</u>	<u>\$ 19,456,577</u>	<u>\$ 15,971,537</u>	

Note 1: As of March 31, 2024, December 31, 2023 and March 31, 2023, guarantee notes receivables were pledged as collaterals for short-term borrowings and commercial paper payable to banks amounting to \$11,425,061, \$12,654,914 and \$9,400,369, respectively.

Note 2: Shown as 'other assets'.

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

Note 4: As of March 31, 2024, December 31, 2023 and March 31, 2023, the certificates of deposit amounting to \$11,737, \$11,260 and \$10,923, respectively, were pledged to a financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

A. Significant contracts signed by the Group with related parties and non-related parties as of March 31, 2024, are summarized as follows:

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

B. As of March 31, 2024, the Group has signed equipment purchase contracts, real estate purchase contracts and engineering project payments that have not yet resulted in capital expenditures. The amounts for these contracts are \$1,576,112, \$804,084 and \$127,508, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</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	\$ 8,493,118	\$ 7,336,396	\$ 5,408,905
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	15,045,077	10,543,402	8,145,410
Qualifying equity instrument	300,406	307,578	58,388
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	21,301,997	23,142,893	14,559,380
Notes receivable	14,271,382	13,949,300	12,541,256
Accounts receivable	277,322,275	272,178,742	236,985,560
Long-term notes and accounts receivable	13,993,916	13,490,849	9,571,245
Other receivables	2,778,970	2,382,482	2,126,316
Guarantee deposits paid	4,885,508	4,877,437	4,836,155
Other financial assets	4,028,716	3,317,402	2,762,175
Financial assets for hedging	530,868	570,885	398,909
	<u>\$ 362,952,233</u>	<u>\$ 352,097,366</u>	<u>\$ 297,393,699</u>

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ -	\$ 407,727	\$ 9,040
Financial liabilities at amortized cost			
Short-term loans	117,779,370	101,464,701	108,977,793
Short-term notes and bills payable	138,836,932	148,116,089	122,467,657
Notes payable	1,695,814	1,635,144	801,861
Accounts payable	12,548,523	13,466,699	14,599,983
Accrued expenses	7,225,121	7,612,447	5,596,885
Other payables	14,579,905	2,261,441	3,704,637
Commission payable	279,034	260,926	486,776
Corporate bonds payable (including current portion)	31,200,000	31,200,000	26,200,000
Long-term borrowings (including current portion)	14,947,286	24,628,289	13,548,629
Guarantee deposits received	19,010,566	18,507,222	17,304,404
Other financial liabilities	28,213	27,486	34,607
Lease liabilities	2,264,002	2,206,958	2,454,250
Financial liabilities for hedging	1,459,441	1,087,983	788,187
	<u>\$ 361,854,207</u>	<u>\$ 352,883,112</u>	<u>\$ 316,974,709</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information on the additional risk management policy of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(5).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange rate arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.
- ii. Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk

is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.

- iii. The Group hedges foreign exchange rate by using forward exchange contracts. Details of financial assets or liabilities at fair value through profit or loss and financial assets and liabilities for hedging are provided in Notes 6(2) and 6(4). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(4).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). After taking into consideration the use of cross currency swap contracts, the information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2024			December 31, 2023		
	Foreign amount	Exchange rate	Book value	Foreign amount	Exchange rate	Book value
	(In thousands)			(In thousands)		
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD 30,390	32.0000	\$ 972,480	USD 35,607	30.7050	\$ 1,093,313
JPY:NTD	JPY 869,547	0.2115	183,909	JPY 790,931	0.2172	171,790
RMB:NTD	CNY 7,284	4.4304	32,271	CNY 10,302	4.3224	44,529
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD 191,532	32.0000	\$ 6,129,024	USD 213,917	30.7050	\$ 6,568,321
JPY:NTD	JPY 204,869	0.2115	43,330	JPY 333,597	0.2172	72,457
RMB:NTD	CNY 17,744	4.4304	78,613	CNY 21,749	4.3224	94,008
				March 31, 2023		
				Foreign amount	Exchange rate	Book value
				(In thousands)		
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD				USD 75,963	30.4500	\$ 2,313,073
JPY:NTD				JPY 565,000	0.2288	129,272
RMB:NTD				CNY 4,050	4.4403	17,983
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD				USD 270,119	30.4500	\$ 8,225,124
JPY:NTD				JPY 159,284	0.2288	36,444
RMB:NTD				CNY 8,550	4.4403	37,965

- v. The total exchange gains (losses), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2024 and 2023 amounted to \$211,474 and \$41,711, respectively.
- vi. The Group took the use of cross currency swap contracts into account and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	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%	\$ 9,725	\$ -	1%	\$ 23,131	\$ -
JPY:NTD	1%	1,839	-	1%	1,293	-
RMB:NTD	1%	323	-	1%	180	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 61,290	\$ -	1%	\$ 82,251	\$ -
JPY:NTD	1%	433	-	1%	364	-
RMB:NTD	1%	786	-	1%	380	-

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.
- ii. The subsidiary's, Hotai Finance Co., Ltd., main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- iii. The subsidiary, Hotai Finance Co., Ltd., assessed the market risk of cross currency swap by using PVBP (Present Value of Basis Point). However, the contracted notional principal equal to the amount of hedged liabilities, and the duration, resetting date, date of receiving and paying of interest and principal and the index of measuring interest were both the same, which can use to offset the market risk, thus, the Group did not expect significant market risk.
- iv. The subsidiary, Hotai Finance Co., Ltd., is not exposed to the risk arising from variations in the market interest rates as the debt products the subsidiary issued are all fixed rate liabilities.
- v. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant and considering the use of cross currency swap contracts, profit after tax for the three months ended March 31, 2024 and 2023 would have increased/decreased by \$827,048 and \$523,351, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire Group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of March 31, 2024, December 31, 2023 and March 31, 2023, HFC has financial instruments with off-balance-sheet credit risk amounting to \$2,490,633, \$2,380,898 and \$3,341,248 respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$25,972, \$26,667 and \$64,387, respectively. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience and recognizes financial guarantee expense which is shown as 'other current liabilities'.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i.) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii.) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. For the subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Leasing Co., Ltd., the default occurs when the contract payments are past due over 150 days. Additionally, when the contract payments are past due over 90 days and are not expected to be recovered, the default has occurred.
- vi. The Group classified accounts receivable and contract assets based on customers' default and used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. Not including the subsidiaries, Hotai Finance Co., Ltd., Hoyun International Leasing Co., Ltd. and Hotai Insurance Co., Ltd., estimated loss allowance arising from accounts receivable and contract assets amounted to \$637,718.
- vii. The following indicators are used by the Group to determine whether the credit impairment of debt instruments has occurred:

- (i.) It becomes probable that the issuer or the borrower will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (ii.) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii.) Default or delinquency in interest or principal repayments; and
- (iv.) Adverse changes in national or regional economic conditions that are expected to cause a default.

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

	12 months expected credit loss	Lifetime			Total
		Significant increase in credit risk	Impairment of credit	Simplified approach	
<u>March 31, 2024</u>					
Neither past due nor impaired	\$336,355,307	\$ -	\$ -	\$299,502	\$336,654,809
Past due or case assessment	-	1,455,754	2,922,983	-	4,378,737
	<u>\$336,355,307</u>	<u>\$1,455,754</u>	<u>\$2,922,983</u>	<u>\$299,502</u>	<u>\$341,033,546</u>
<u>December 31, 2023</u>					
Neither past due nor impaired	\$329,951,950	\$ -	\$ -	\$209,093	\$330,161,043
Past due or case assessment	-	1,383,387	2,476,960	-	3,860,347
	<u>\$329,951,950</u>	<u>\$1,383,387</u>	<u>\$2,476,960</u>	<u>\$209,093</u>	<u>\$334,021,390</u>
<u>March 31, 2023</u>					
Neither past due nor impaired	\$281,725,587	\$ -	\$ -	\$ 81,226	\$281,806,813
Past due or case assessment	-	957,953	1,747,287	-	2,705,240
	<u>\$281,725,587</u>	<u>\$ 957,953</u>	<u>\$1,747,287</u>	<u>\$ 81,226</u>	<u>\$284,512,053</u>

- ix. The subsidiary, Hotai Finance Co., Ltd. used historical expense and the forward-looking information, such as forecastability of future economic environment to assess the default possibility. For the three months ended March 31, 2024 and 2023, the movements of the loss allowance of trade receivables were as follows:

	Three months ended March 31, 2024			
	12 months expected credit loss	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
At January 1	\$ 3,373,672	\$ 520,170	\$ 1,510,068	\$ 5,403,910
Transfer and measurement stages	(35,970)	(223,966)	259,936	-
Provision for impairment	75,664	214,047	1,175,180	1,464,891
Write-offs	-	-	(1,309,533)	(1,309,533)
Effect of foreign exchange	17,433	1,567	7,936	26,936
	<u>\$ 3,430,799</u>	<u>\$ 511,818</u>	<u>\$ 1,643,587</u>	<u>\$ 5,586,204</u>
	Three months ended March 31, 2023			
	12 months expected credit loss	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
At January 1	\$ 2,989,387	\$ 356,184	\$ 1,363,313	\$ 4,708,884
Transfer and measurement stages	(22,997)	(159,068)	182,065	-
Provision for impairment	53,918	206,418	754,582	1,014,918
Write-offs	-	-	(811,219)	(811,219)
Effect of foreign exchange	5,667	841	3,606	10,114
	<u>\$ 3,025,975</u>	<u>\$ 404,375</u>	<u>\$ 1,492,347</u>	<u>\$ 4,922,697</u>

For the three months ended March 31, 2024 and 2023, gain on recoverable bad debts amounted to \$288,516 and \$293,001, respectively, presented as a deduction item to expected credit loss.

- x. As of March 31, 2024, December 31, 2023 and March 31, 2023, information relating to credit risk of the Company's subsidiary, Hotai Insurance Co., Ltd. is provided in Note 12(6)A.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while always maintaining sufficient headroom on its undrawn committed borrowing facilities so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

- ii. As of March 31, 2024, December 31, 2023 and March 31, 2023 the Group's unused credit line amounted to \$191,495,970, \$159,709,136 and \$121,986,185, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>March 31, 2024</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$93,800,733	\$ 22,463,201	\$ 2,402,021
Short-term notes and bills payable	101,425,255	17,928,608	19,483,069
Notes payable	1,695,814	-	-
Accounts payable	12,548,523	-	-
Accrued expenses	7,225,121	-	-
Other payables	14,579,905	-	-
Commission payable	279,034	-	-
Lease liabilities	507,964	427,180	1,547,270
Bonds payable	3,337,994	19,153,990	9,325,370
Long-term loans (including current portion)	3,513,471	424,402	11,009,413

Non-derivative financial liabilities:

<u>December 31, 2023</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$85,958,140	\$ 15,159,913	\$ 7,928,475
Short-term notes and bills payable	124,089,562	15,933,249	8,093,278
Notes payable	1,635,144	-	-
Accounts payable	13,466,699	-	-
Accrued expenses	7,612,447	-	-
Other payables	2,261,442	-	-
Commission payable	260,926	-	-
Lease liabilities	484,109	391,384	1,550,441
Bonds payable	343,500	22,211,960	9,347,534
Long-term loans (including current portion)	4,192,090	884,727	19,551,472

Non-derivative financial liabilities:

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

Derivative financial liabilities:

<u>March 31, 2024</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 1,278,171	\$ 83,479	\$ 97,791

Derivative financial liabilities:

<u>December 31, 2023</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 1,024,638	\$ 63,345	\$ -
Forward exchange contracts	407,727	-	-

Derivative financial liabilities:

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

- 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 stocks, beneficial certificates is included in Level 1.

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

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

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

C. Financial instruments not measured at fair value

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

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

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

<u>March 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,295,365	\$ -	\$ 147,411	\$ 2,442,776
Bond investment	-	293,779	-	293,779
Equity securities	-	1,011,886	-	1,011,886
Exchange traded funds	2,396,013	-	-	2,396,013
Financial instruments	1,613,685	-	-	1,613,685
Derivative financial assets for hedging	-	734,979	-	734,979
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	530,868	-	530,868
Equity securities	14,319,282	-	725,795	15,045,077
	<u>\$20,624,345</u>	<u>\$ 3,270,118</u>	<u>\$ 873,206</u>	<u>\$24,767,669</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities for hedging	\$ -	\$ 1,459,441	\$ -	\$ 1,459,441

Note: Including operation bonds.

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,290,342	\$ -	\$ 145,402	\$ 2,435,744
Bond investment	-	1,011,886	-	1,011,886
Equity securities	1,791,387	-	-	1,791,387
Exchange traded funds	1,362,900	-	-	1,362,900
Financial instruments	-	734,479	-	734,479
Derivative financial assets for hedging	-	570,885	-	570,885
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	705,778	-	705,778
Equity securities	<u>10,074,148</u>	<u>-</u>	<u>469,254</u>	<u>10,543,402</u>
	<u>\$15,518,777</u>	<u>\$ 3,023,028</u>	<u>\$ 614,656</u>	<u>\$19,156,461</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 407,727	\$ -	\$ 407,727
Derivative financial liabilities for hedging				
	<u>-</u>	<u>1,087,983</u>	<u>-</u>	<u>1,087,983</u>
	<u>\$ -</u>	<u>\$ 1,495,710</u>	<u>\$ -</u>	<u>\$ 1,495,710</u>

<u>March 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 1,125,850	\$ -	\$ 169,152	\$ 1,295,002
Forward exchange contracts	-	132,278	-	132,278
Bond investment	-	1,011,039	-	1,011,039
Equity securities	1,354,299	-	-	1,354,299
Exchange traded funds	1,032,645	-	-	1,032,645
Financial instruments	-	583,642	-	583,642
Derivative financial assets for hedging	-	398,908	-	398,908
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	456,588	-	456,588
Equity securities	<u>7,737,993</u>	<u>-</u>	<u>407,417</u>	<u>8,145,410</u>
	<u>\$11,250,787</u>	<u>\$ 2,582,455</u>	<u>\$ 576,569</u>	<u>\$14,409,811</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 9,040	\$ -	\$ 9,040
Derivative financial liabilities for hedging				
	<u>-</u>	<u>788,187</u>	<u>-</u>	<u>788,187</u>
	<u>\$ -</u>	<u>\$ 797,227</u>	<u>\$ -</u>	<u>\$ 797,227</u>

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

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

	<u>Listed stocks</u>	<u>Beneficiary certificates</u>	<u>Open-end fund</u>	<u>Exchange traded funds</u>
Market quoted price	Closing price	Closing price	Net asset value	Closing price

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

- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.
 - iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. The following chart is the movement of Level 3 for the three months ended March 31, 2024 and 2023:

	2024	
	Beneficiary certificates	Equity securities
At January 1	\$ 145,402	\$ 469,254
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	224,541
Recorded as (losses) gains on financial assets at fair value through profit or loss	2,009	-
Acquired during the period	-	32,000
At March 31	<u>\$ 147,411</u>	<u>\$ 725,795</u>

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

- F. For the three months ended March 31, 2024 and 2023, there was no transfer between Level 1, Level 2, and Level 3.
- G. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	<u>Fair value at March 31, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 725,795	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	147,411	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 469,254	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	145,402	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at March 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative instrument:					
Unlisted shares	\$ 407,417	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	169,152	Net assets value	Not applicable	Not applicable	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of March 31, 2024, December 31, 2023 and March 31, 2023.

(4) Other matters

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

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

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

(a) Risk Governance Structure and Responsibilities

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

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

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

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

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

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

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

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

(b) Risk Reporting and Measurement System

i. Risk Reporting

Each department branch of the subsidiary, Hotai Insurance Co., Ltd. periodically delivers risk information to the risk management department for monitoring purpose. The mitigating actions and response plans are required while breaching the risk-type limits.

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and

Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

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

(c) Insurance Risk and Underwriting Guidelines

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

(d) Total Risk Profiling and Insurance Risk Management

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

(e) Concentration Exposures on Insurance Risk

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

Line of Business	March 31, 2024	December 31, 2023	March 31, 2023
Fire insurance	\$ 100,000	\$ 100,000	\$ 100,000
Fire & A.P. insurance	100,000	100,000	100,000
Long-term residential fire insurance	100,000	100,000	100,000
Residential fire insurance	100,000	100,000	100,000
Marine cargo insurance	20,000	20,000	20,000
Inland marine insurance	20,000	20,000	20,000
Automobile insurance	Nil	Nil	Nil
General liability insurance	50,000	50,000	50,000
Engineering insurance	100,000	100,000	100,000
Fidelity insurance	60,000	60,000	60,000
Other property insurance	100,000	100,000	50,000
Personal accident insurance	50,000	50,000	50,000

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

(f) Asset/Liability Management

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

(g) When a specific event occurs, the commitment to bear additional liabilities or invest additional owner's equity, and its management, supervision, and control procedures

The subsidiary, Hotai Insurance Co., Ltd. in accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", had compiled capital adequacy management reports every half year to regularly monitor and implement capital adequacy management. Currently, the subsidiary, Hotai Insurance Co., Ltd. complies with the provision that the ratio of own capital to risk capital shall not be less than two hundred percent.

(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.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the subsidiary, Hotai Insurance Co., Ltd. included receivable (excluding interest receivables from bonds and interest receivables from time deposits) and other assets (excluding operating margin and restricted deposits) in the scope of impairment assessment. The expected loss rate is as follows:

March 31, 2024			
	12 months	Significant increase in credit risk	Impairment of credit
	Not overdue or overdue for no more than 30 days	Overdue for more than 30 days	Overdue for more than 90 days
Expected loss rate	0%	0%	0%
Total book value	\$ 961,916	\$ -	\$ -
Allowance for losses	9,000	-	-

December 31, 2023			
	12 months	Significant increase in credit risk	Impairment of credit
	Not overdue or overdue for no more than 30 days	Overdue for more than 30 days	Overdue for more than 90 days
Expected loss rate	0%	0%	100%
Total book value	\$ 969,476	\$ -	\$ 160
Allowance for losses	9,000	-	160

March 31, 2023			
	12 months	Significant increase in credit risk	Impairment of credit
	Not overdue or overdue for no more than 30 days	Overdue for more than 30 days	Overdue for more than 90 days
Expected loss rate	0%	0%	100%
Total book value	\$ 950,584	\$ -	\$ 160
Allowance for losses	9,000	-	160

The subsidiary, Hotai Insurance Co., Ltd., refers to the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”. For the three months ended March 31, 2024 and 2023, the movements of allowance for loss are as follows:

	2024				
	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	\$ -	\$ -	\$ -	\$ 21,445	\$ 21,445
Provisions during the period	-	-	-	(1,432)	(1,432)
At March 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,013</u>	<u>\$ 20,013</u>

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

As of March 31, 2024, December 31, 2023 and March 31, 2023, the allowance for loss of abovementioned financial assets was \$20,013, \$21,445 and \$23,434, respectively, and the maximum exposure to credit risk was \$941,903, \$948,329 and \$927,310, respectively.

- (e) As of March 31, 2024, December 31, 2023 and March 31, 2023, 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 \$2,472,365, \$2,465,488 and \$2,360,407, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

Credit risk rating	March 31, 2024	December 31, 2023	March 31, 2023
tw AAA	\$ 708,882	\$ 707,120	\$ 713,073
tw AA+	-	-	124,656
tw AA	349,881	349,529	335,901
tw AA-	111,109	110,780	80,409
tw A+	322,914	322,092	324,138
tw A	975,579	975,967	782,230
tw A-	-	-	-
	<u>\$ 2,468,365</u>	<u>\$ 2,465,488</u>	<u>\$ 2,360,407</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.04%, 0%~0.04% and 0%~0.05%, respectively, the amounts of allowance for loss were \$569, \$569 and \$601 respectively, and the maximum exposure amounts were \$2,471,796, \$2,464,919 and \$2,359,806, respectively. Aforementioned amounts of allowance for loss were using the forecastability of Standard & Poor’s research report to adjust historical and

timely information to assess the expected loss rate. For the three months ended March 31, 2024 and 2023, the movements of allowance for loss are as follows:

	2024	2023
At January 1	\$ 569	\$ 797
Provisions (amounts reversed) during the period	-	(196)
At March 31	<u>\$ 569</u>	<u>\$ 601</u>

(f) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the three months ended March 31, 2024 and 2023, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Three months ended March 31, 2024

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 158,404	15.18
AA-	38,091	3.65
A+	614,490	58.88
A	31,855	3.05
A-	360	0.03
BBB+	2,845	0.27
Unrated	197,654	18.94
Total	<u>\$ 1,043,699</u>	<u>100.00</u>

Three months ended March 31, 2023

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

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

B. Liquidity risk management

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

(a) Cash flow control and hedging strategy

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

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

(b) Liquidity risk management

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

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

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

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

i. Non-derivative financial liabilities

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>March 31, 2024</u>				
Insurance liabilities	\$ 11,561,464	\$ 3,631,543	\$ 215,062	\$ 1,715,658
Payables	2,604,434	-	-	-
Deposits-in	320	1,487	-	-
Lease liabilities	61,719	111,376	-	-

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>December 31, 2023</u>				
Insurance liabilities	\$ 11,752,000	\$ 3,692,008	\$ 218,509	\$ 1,695,810
Payables	2,433,604	-	-	-
Deposits-in	320	1,487	-	-
Lease liabilities	24,763	21,941	-	-

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>March 31, 2023</u>				
Insurance liabilities	\$ 15,102,106	\$ 3,086,646	\$ 193,154	\$ 1,660,217
Payables	1,671,356	-	-	-
Deposits-in	2,655	2,096	-	-
Lease liabilities	52,402	11,272	-	-

ii. Derivatives

As of March 31, 2024, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

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

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

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

(a) Price risk

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

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

		March 31, 2024	
		Change of variables	Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 302,729
	Decrease in price	10%	(302,729)
		December 31, 2023	
		Change of variables	Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 257,264
	Decrease in price	10%	(257,264)
		March 31, 2023	
		Change of variables	Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 231,848
	Decrease in price	10%	(231,848)

(b) Interest rate risk

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

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

		March 31, 2024	
		Change of variables	Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 51,274)
	Decrease in interest rate	100 basis point	51,274
		December 31, 2023	
		Change of variables	Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 54,374)
	Decrease in interest rate	100 basis point	54,374
		March 31, 2023	
		Change of variables	Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 47,069)
	Decrease in interest rate	100 basis point	47,069

(c) Foreign exchange risk

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Foreign exchange rate	32.01	30.71	30.44

The US dollar assets and liabilities are shown as below:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
USD Assets	USD 11,125 thousand	USD 11,411 thousand	USD 7,017 thousand
USD Liabilities	USD 1,413 thousand	USD 1,528 thousand	USD 3,319 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>March 31, 2024</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD (\$	15,542)
	Depreciate 5% against NTD	15,542
	<u>December 31, 2023</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD (\$	15,172)
	Depreciate 5% against NTD	15,172
	<u>March 31, 2023</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD (\$	5,629)
	Depreciate 5% against NTD	5,629

(7) Insurance risk information

A. Insurance risk concentration

Insurance businesses undertaken by the subsidiary, Hotai Insurance Co., Ltd., comprise fire insurance, engineering insurance, accident insurance, transportation insurance, automobile insurance, and personal accident insurance. Among them, as the subject matters of transportation insurance, automobile insurance, and personal accident insurance have mobility, the level of risk is deemed relatively dispersed. The subject matter of accident insurance has legality, and the risks in relation to accident insurance and aforesaid insurances are all dispersed through coverage limit control. Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the three months ended March 31, 2024 and 2023, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

Line of Business	Three months ended March 31, 2024	
	Premiums revenue	Retention premiums
Fire insurance	\$ 426,415	\$ 151,247
Engineering insurance	113,505	34,977

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

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

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claim reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for the three months ended March 31, 2024 and 2023 and the result is shown below:

Line of Business	Three months ended March 31, 2024			
	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	\$ 67,367	\$ 47,762	\$ 67,367	\$ 47,762
Automobile third party liability insurance	39,125	28,420	39,125	28,420
Personal property insurance	875	812	875	812
Commercial property insurance	20,864	7,512	20,864	7,512
Liability insurance	13,155	8,876	13,155	8,876
Marine cargo insurance	3,440	1,925	3,440	1,925
Engineering insurance	4,331	1,008	4,331	1,008
Personal accident insurance	9,541	8,709	9,541	8,709
Credit insurance	4	4	4	4
Health insurance	2,593	2,335	2,593	2,335
Foreign inward reinsurance	66	58	66	58

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

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the three months ended March 31, 2024 and 2023.

C. Loss development pattern

As of March 31, 2024, December 31, 2023 and March 31, 2023, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows:

(a) Direct business

Development Year	Accident Year					Total
	Before 2020	2021	2022	2023	Three months ended March 31, 2024	
End of underwriting year	\$ 35,678,037	\$ 5,817,499	\$ 41,070,594	\$ 11,472,535	\$ 1,901,831	
One year after underwriting year	35,570,853	5,627,586	41,730,838	10,702,337	-	
Two years after underwriting year	34,938,335	5,429,797	41,685,624	-	-	
Three years after underwriting year	35,020,081	5,424,031	-	-	-	
Four years after underwriting year	34,869,041	-	-	-	-	
Estimated ultimate losses	34,869,041	5,424,031	41,685,624	10,702,337	1,901,831	
Paid losses	(34,028,521)	(4,283,887)	(40,047,108)	(7,961,700)	(442,996)	
Total reserve	\$ 840,520	\$ 1,140,144	\$ 1,638,516	\$ 2,740,637	\$ 1,458,835	\$ 7,818,652
Adjustment item (Note)						547,101
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$ 8,365,753

Development Year	Accident Year					Total
	Before 2019	2020	2021	2022	2023	
End of underwriting year	\$ 31,265,038	\$ 4,699,953	\$ 5,811,398	\$ 41,300,575	\$ 11,472,535	
One year after underwriting year	30,978,083	4,769,156	3,807,080	41,730,838	-	
Two years after underwriting year	30,801,696	4,606,421	5,429,797	-	-	
Three years after underwriting year	30,511,847	4,429,177	-	-	-	
Four years after underwriting year	30,590,904	-	-	-	-	
Estimated ultimate losses	30,590,904	4,429,177	5,429,797	41,730,838	11,472,535	
Paid losses	(29,791,098)	(4,036,270)	(4,299,218)	(40,019,865)	(7,123,350)	
Total reserve	\$ 799,806	\$ 392,907	\$ 1,130,579	\$ 1,710,973	\$ 4,349,185	\$ 8,383,450
Adjustment item (Note)						543,917
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$ 8,927,367

March 31, 2023

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

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

(b) Retention business

March 31, 2024

Development Year	Accident Year				Total	
	Before 2020	2021	2022	2023		Three months ended March 31, 2024
End of underwriting year	\$ 25,748,794	\$ 4,565,572	\$ 39,328,137	\$ 9,335,805	\$ 1,213,796	
One year after underwriting year	25,738,193	4,386,827	39,909,114	8,941,515	-	
Two years after underwriting year	25,250,950	4,242,107	39,884,508	-	-	
Three years after underwriting year	25,136,260	4,240,445	-	-	-	
Four years after underwriting year	24,754,110	-	-	-	-	
Estimated ultimate losses	24,754,110	4,240,445	39,884,508	8,941,515	1,213,795	
Paid losses	(24,277,141)	(3,686,381)	(39,072,346)	(6,955,306)	(320,986)	
Total reserve	<u>\$ 476,969</u>	<u>\$ 554,064</u>	<u>\$ 812,162</u>	<u>\$ 1,986,209</u>	<u>\$ 892,809</u>	\$ 4,722,213
Adjustment item (Note)						385,603
						<u>\$ 5,107,816</u>

December 31, 2023

Development Year	Accident Year					Total
	Before 2019	2020	2021	2022	2023	
End of underwriting year	\$ 21,917,428	\$ 4,058,783	\$ 4,559,471	\$ 39,536,977	\$ 9,335,805	
One year after underwriting year	21,690,012	4,130,722	4,551,010	39,909,114	-	
Two years after underwriting year	21,607,471	3,991,743	4,242,107	-	-	
Three years after underwriting year	21,435,001	3,826,326	-	-	-	
Four years after underwriting year	21,309,934	-	-	-	-	
Estimated ultimate losses	21,309,934	3,826,326	4,242,107	39,909,114	9,335,805	
Paid losses	(20,990,075)	(3,572,891)	(3,707,481)	(39,066,723)	(6,332,838)	
Total reserve	<u>\$ 319,859</u>	<u>\$ 253,435</u>	<u>\$ 534,626</u>	<u>\$ 842,391</u>	<u>\$ 3,002,967</u>	\$ 4,953,278
Adjustment item (Note)						365,431
						<u>\$ 5,318,709</u>

March 31, 2023

Development Year	Accident Year				Total	
	Before 2019	2020	2021	2022		Three months ended March 31, 2023
End of underwriting year	\$ 21,917,429	\$ 4,058,783	\$ 4,565,828	\$ 39,328,137	\$ 4,034,793	
One year after underwriting year	21,690,012	4,130,722	4,387,083	39,831,362	-	
Two years after underwriting year	21,607,471	3,877,850	4,521,591	-	-	
Three years after underwriting year	21,373,100	3,954,140	-	-	-	
Four years after underwriting year	21,387,876	-	-	-	-	
Estimated ultimate losses	21,387,876	3,954,140	4,521,591	39,831,362	4,034,793	
Paid losses	(20,963,695)	(3,540,205)	(3,836,279)	(37,897,736)	(1,917,740)	
Total reserve	<u>\$ 424,181</u>	<u>\$ 413,935</u>	<u>\$ 685,312</u>	<u>\$ 1,933,626</u>	<u>\$ 2,117,053</u>	\$ 5,574,107
Adjustment item (Note)						354,642
						<u>\$ 5,928,749</u>

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

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

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

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>March 31, 2024</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 6,035,375	\$ 6,035,375	\$ -
Receivables	861,529	861,529	-
Current income tax assets	13,481	-	13,481
Financial assets at fair value through profit or loss	3,539,176	3,027,290	511,886
Financial assets at fair value through other comprehensive income	300,406	-	300,406
Other financial assets	1,738,231	1,738,231	-
Right-of-use assets	164,023	-	164,023
Investment property	394,318	-	394,318
Reinsurance contract assets	5,789,373	4,147,756	1,641,617
Property and equipment	3,962,873	-	3,962,873
Intangible assets	113,048	-	113,048
Deferred income tax assets	1,311,210	-	1,311,210
Other assets	4,724,635	410,983	4,313,652
<u>Liabilities</u>			
Borrowings	\$ 3,500,000	\$ 3,500,000	\$ -
Payables	2,604,434	2,604,434	-
Current income tax liabilities	371	371	-
Insurance liabilities	17,123,727	11,561,464	5,562,263
Lease liabilities	165,882	61,719	104,163
Deferred income tax liabilities	46,726	-	46,726
Other liabilities	431,735	430,248	1,487

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2023</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 5,442,868	\$ 5,442,868	\$ -
Receivables	869,102	869,102	-
Current income tax assets	13,481	-	13,481
Financial assets at fair value through profit or loss	3,084,522	2,572,636	511,886
Financial assets at fair value through other comprehensive income	307,577	-	307,577
Other financial assets	1,738,231	1,738,231	-
Right-of-use assets	42,265	-	42,265
Investment property	394,950	-	394,950
Reinsurance contract assets	6,120,565	4,312,902	1,807,663
Property and equipment	3,891,752	-	3,891,752
Intangible assets	114,716	-	114,716
Deferred income tax assets	1,438,969	-	1,438,969
Other assets	4,666,526	359,812	4,306,714
<u>Liabilities</u>			
Borrowings	\$ 3,500,000	\$ 3,500,000	\$ -
Payables	2,433,604	2,433,604	-
Insurance liabilities	17,358,327	11,752,000	5,606,327
Lease liabilities	44,184	24,763	19,421
Deferred income tax liabilities	44,130	-	44,130
Other liabilities	484,128	482,641	1,487

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

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

The subsidiary, Hotai Insurance Co., Ltd. entrusts the securities investment trust business to operate and manage the investment in domestic listed company stocks, domestic and foreign bonds, and short-term notes. The entrusted contract is limited by the legal upper limit. As of March 31, 2024, December 31, 2023 and March 31, 2023, the fund amounts were \$1,000,000, \$1,000,000 and \$1,900,000, respectively.

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

Three months ended March 31, 2024						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 138,400	\$ 51,096	\$ 56,105	\$ 133,391	\$ 2,023	\$ 131,368
Elective insurance	3,477,777	85,806	1,066,819	2,496,764	343,161	2,153,603
	3,616,177	136,902	1,122,924	2,630,155	345,184	2,284,971
Discount	3	-	-	3	-	3
	<u>\$ 3,616,180</u>	<u>\$ 136,902</u>	<u>\$ 1,122,924</u>	<u>\$ 2,630,158</u>	<u>\$ 345,184</u>	<u>\$ 2,284,974</u>
Three months ended March 31, 2023						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 137,361	\$ 46,991	\$ 56,579	\$ 127,773	\$ 5,446	\$ 122,327
Elective insurance	3,198,031	120,235	1,056,707	2,261,559	(19,769)	2,281,328
	3,335,392	167,226	1,113,286	2,389,332	(14,323)	2,403,655
Discount	2	-	-	2	-	2
	<u>\$ 3,335,394</u>	<u>\$ 167,226</u>	<u>\$ 1,113,286</u>	<u>\$ 2,389,334</u>	<u>(\$ 14,323)</u>	<u>\$ 2,403,657</u>

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

Three months ended March 31, 2024				
<u>Category of insurance</u>	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 81,524	\$ 43,377	\$ 47,714	\$ 77,187
Elective insurance	1,512,688	2,942	570,178	945,452
	<u>\$ 1,594,212</u>	<u>\$ 46,319</u>	<u>\$ 617,892</u>	<u>\$ 1,022,639</u>
Three months ended March 31, 2023				
<u>Category of insurance</u>	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 51,811	\$ 37,624	\$ 29,614	\$ 59,821
Elective insurance	7,202,837	205,490	269,997	7,138,330
	<u>\$ 7,254,648</u>	<u>\$ 243,114</u>	<u>\$ 299,611</u>	<u>\$ 7,198,151</u>

(12) Financial information of compulsory automobile insurance:

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

A. As of March 31, 2024, December 31, 2023 and March 31, 2023, balance sheets for compulsory automobile liability insurance are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Assets			
Cash and cash equivalents	\$ 1,863,577	\$ 1,858,420	\$ 1,801,783
Notes receivable	4,145	4,458	3,628
Premiums receivable	8,100	10,722	8,070
Claims recoverable from reinsurers	20,483	29,441	15,862
Due from reinsurance and ceding companies	16,553	16,208	15,263
Ceded unearned premium reserve	117,975	118,198	111,910
Ceded claim reserve	161,497	170,568	161,358
Temporary payments and suspense accounts	-	69	46
Total assets	<u>\$ 2,192,330</u>	<u>\$ 2,208,084</u>	<u>\$ 2,117,920</u>
Liabilities			
Claims payable	\$ 300	\$ 18,009	\$ 4,631
Due to reinsurance and ceding companies	19,236	19,604	23,229
Unearned premium reserve	306,449	304,649	287,978
Claims reserve	408,691	419,095	397,395
Special reserve	1,457,529	1,437,715	1,401,899
Temporary payments and suspense accounts	125	9,012	2,788
Total liabilities	<u>\$ 2,192,330</u>	<u>\$ 2,208,084</u>	<u>\$ 2,117,920</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,711,800, \$1,711,800 and \$1,545,474, respectively, shown as other financial assets in the balance sheets.

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

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Operating revenues		
Written premiums	\$ 93,506	\$ 94,296
Reinsurance premiums	51,096	46,991
Less: Reinsurance premiums ceded	(56,105)	(56,579)
Net change in unearned premium reserve	(2,023)	(5,446)
Retention earned premiums	86,474	79,262
Interest income	5,661	5,040
Total	<u>\$ 92,135</u>	<u>\$ 84,302</u>
Operating costs		
Claim expenditures	\$ 81,524	\$ 51,811
Reinsurance claim expenditures	43,377	37,624
Less: Reinsurance claims recovery	(47,714)	(29,614)
Retention claim expenditures	77,187	59,821
Net change in claims reserve	(1,333)	16,392
Net change in special reserve	19,814	11,455
Total	<u>\$ 95,668</u>	<u>\$ 87,668</u>

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

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

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

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

Company prepared a financial plan for epidemic prevention and insurance for 2022, and submitted it to the Competent Authorities for approval on June 7, 2022 along with applying for the capital increase. Please refer to Note 4(3) for further details. As of 2023, a financial improvement plan was proposed and implemented that included measures such as reducing capital to offset losses, conducting a private placement of common shares to raise cash, and disposing of real estate assets to expand capital. As of March 31, 2024, the subsidiary, Hotai Insurance Co., Ltd.'s ratio of self-owned capital to risk-based capital was higher than 200%.

Under Article 15 of “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance”, the net worth ratios of the subsidiary, Hotai Insurance Co., Ltd., as of March 31, 2024, December 31, 2023 and March 31, 2023 were 17.53%, 15.15% and (16.90%), respectively.

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

<u>March 31, 2024</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 5,374,135	\$ 5,374,135	\$ -
Current financial assets for hedging	530,868	530,868	-
Accounts and notes receivable, net	278,943,054	103,010,091	175,932,963
Other receivables	77,630	77,630	-
Inventories	5,259	5,259	-
Prepayments	5,864,750	4,364,802	1,499,948
Other current financial assets	583,565	583,565	-
<u>Liabilities</u>			
Short-term borrowings	\$ 107,348,970	\$ 83,684,936	\$ 23,664,034
Short-term notes and bills payable	125,263,553	87,851,876	37,411,677
Current financial liabilities for hedging	1,459,411	1,278,171	181,240
Notes payable	1,622,201	1,622,201	-
Accounts payable (including related parties)	530,534	530,534	-
Other payables	5,474,386	5,474,386	-
Current income tax liabilities	1,199,868	1,199,868	-
Lease liabilities-current	141,675	141,675	-
Bonds payable	28,213	28,213	-
Financial guarantee liabilities-current	31,200,000	3,000,000	28,200,000
Guarantee deposits received-current	4,407,506	1,952,204	2,455,302
Other current liabilities, others	51,678	51,678	-

<u>December 31, 2023</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,878,184	\$ 2,878,184	\$ -
Current financial assets for hedging	570,885	380,830	190,055
Accounts and notes receivable, net	273,468,608	100,295,043	173,173,565
Other receivables	78,696	78,696	-
Inventories	4,962	4,962	-
Prepayments	6,747,521	5,146,271	1,601,250
Other current financial assets	506,020	506,020	-
<u>Liabilities</u>			
Short-term borrowings	\$ 92,619,765	\$ 70,073,763	\$ 22,546,002
Short-term notes and bills payable	133,524,317	109,497,790	24,026,527
Current financial liabilities for hedging	1,087,983	1,024,638	63,345
Notes payable	1,522,704	1,522,704	-
Accounts payable (including related parties)	707,786	707,786	-
Other payables	3,390,682	3,390,682	-
Current income tax liabilities	854,078	854,078	-
Lease liabilities-current	144,040	144,040	-
Financial guarantee liabilities-current	27,486	27,486	-
Bonds payable	31,200,000	-	31,200,000
Guarantee deposits received-current	4,404,620	1,971,759	2,432,861
Other current liabilities, others	46,109	46,109	-

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

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 exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 6.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.

I. Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of March 31, 2024:

<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>
Hotai Motor Co., Ltd.	Forward exchange contracts	USD 419,620	2024/04/9~ 2024/09/06	\$ 293,779	\$ 293,779
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 69,900,000	2024/09/9~ 2026/02/12	(1,354,145)	(1,354,145)
Hotai Finance Co., Ltd.	Cross currency swaps	EUR 75,000	2024/9/12	293,966	293,966
Hotai Finance Co., Ltd.	Cross currency swaps	USD 60,000	2024/09/16~ 2026/03/27	(2,034)	(2,034)
Hoyun International Leasing Co., Ltd.	Cross currency swaps	USD 62,000	2024/08/30~ 2025/01/13	221,505	221,505
Hoyun International Leasing Co., Ltd.	Cross currency swaps	JPY 6,000,000	2027/3/10	(97,790)	(97,790)
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Cross currency swaps	USD 4,800	2024/10/18	9,925	9,925

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 11.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

(a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

(b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

(c) The amount of property transactions and the amount of the resulting gains or losses: None.

(d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.

(e) The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds: Please refer to table 1.

(f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

14. Segment Information

(1) General information

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

- A. Distributor of Toyota and Hino products segments: distributor for sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Hotai Motor Co., Ltd. As of March 31, 2024, the Company's self-owned capital ratio was 64%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Property insurance segments: engaging in various property insurance.
- E. Overseas sales agent segment: Sales agent in the mainland Chinese market.
- F. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

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

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

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

Items	Three months ended March 31, 2024			
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 41,393,409	\$ 5,318,537	\$ 8,431,769	\$ 2,545,494
Inter-segment revenue (Note)	4,227,790	119,368	277,448	254,615
Total segment revenue	<u>\$ 45,621,199</u>	<u>\$ 5,437,905</u>	<u>\$ 8,709,217</u>	<u>\$ 2,800,109</u>
Segment income (loss) (Note)	<u>\$ 6,680,525</u>	<u>\$ 1,181,343</u>	<u>\$ 538,094</u>	<u>\$ 842,605</u>
Segment assets	<u>\$ 104,043,940</u>	<u>\$ 277,097,043</u>	<u>\$ 95,976,349</u>	<u>\$ 28,949,043</u>

Items	Overseas sales agent segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 4,260,172	\$ 10,116,193	\$ -	\$ 72,065,574
Inter-segment revenue (Note)	254,416	2,655,507	(7,789,144)	-
Total segment revenue	<u>\$ 4,514,588</u>	<u>\$ 12,771,700</u>	<u>(\$ 7,789,144)</u>	<u>\$ 72,065,574</u>
Segment income (loss) (Note)	<u>(\$ 98,147)</u>	<u>\$ 2,263,962</u>	<u>(\$ 2,887,062)</u>	<u>\$ 8,521,320</u>
Segment assets	<u>\$ 21,364,756</u>	<u>\$ 78,056,104</u>	<u>(\$ 109,386,858)</u>	<u>\$ 496,100,377</u>

Three months ended March 31, 2023

Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 37,599,729	\$ 4,415,139	\$ 7,530,407	\$ 2,576,602
Inter-segment revenue (Note)	3,955,534	157,782	325,364	195,112
Total segment revenue	<u>\$ 41,555,263</u>	<u>\$ 4,572,921</u>	<u>\$ 7,855,771</u>	<u>\$ 2,771,714</u>
Segment income (loss) (Note)	<u>\$ 5,785,397</u>	<u>\$ 1,145,806</u>	<u>\$ 703,349</u>	<u>\$ 272,668</u>
Segment assets	<u>\$ 86,458,472</u>	<u>\$ 236,016,404</u>	<u>\$ 80,739,572</u>	<u>\$ 23,177,162</u>

Items	Overseas sales agent segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 4,018,381	\$ 11,810,222	\$ -	\$ 67,950,480
Inter-segment revenue (Note)	575,300	2,470,949	(7,680,041)	-
Total segment revenue	<u>\$ 4,593,681</u>	<u>\$ 14,281,171</u>	<u>(\$ 7,680,041)</u>	<u>\$ 67,950,480</u>
Segment income (loss) (Note)	<u>\$ 245,093</u>	<u>\$ 1,903,346</u>	<u>(\$ 2,723,560)</u>	<u>\$ 7,332,099</u>
Segment assets	<u>\$ 33,011,593</u>	<u>\$ 59,969,735</u>	<u>(\$ 92,881,865)</u>	<u>\$ 426,491,073</u>

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

(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.

Hotai Motor Co., Ltd.
Loans to others
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the three months ended March 31, 2024	Balance at March 31, 2024	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	\$ 553,794	\$ 553,794	\$ -	2.15%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 849,820	\$ 1,699,639	Note 1
2	Shanghai Hoyu Toyota Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	221,518	221,518	-	2.15%	"	-	"	-	"	-	351,909	703,817	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	110,759	110,759	-	2.15%	"	-	"	-	"	-	137,195	274,389	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	310,125	310,125	82,582	2.15%	"	-	"	-	"	-	567,620	1,135,240	"
5	Shanghai Ho Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	443,035	443,035	147,354	2.15%	"	-	"	-	"	-	1,005,262	2,010,524	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	8,861	8,861	-	2.15%	"	-	"	-	"	-	12,126	24,252	"
7	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	17,721	17,721	14,886	2.15%	"	-	"	-	"	-	30,777	61,555	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	155,062	155,062	-	2.15%	"	-	"	-	"	-	280,805	561,609	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	221,518	221,518	50,639	2.15%	"	-	"	-	"	-	333,672	667,344	"
10	Shanghai Hotai Toyota Forklift Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	155,062	155,062	90,069	2.15%	"	-	"	-	"	-	207,533	415,066	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	310,125	310,125	-	2.15%	"	-	"	-	"	-	382,860	765,720	"
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	310,125	310,125	163,347	2.15%	"	-	"	-	"	-	436,320	872,640	"
13	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	243,669	243,669	-	2.15%	"	-	"	-	"	-	295,947	591,895	"
14	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	88,607	88,607	38,190	2.15%	"	-	"	-	"	-	131,806	263,612	"
15	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	265,821	265,821	156,702	2.15%	"	-	"	-	"	-	302,405	604,810	"
16	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	310,125	310,125	65,348	2.15%	"	-	"	-	"	-	373,250	746,499	"
17	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	155,062	155,062	-	2.15%	"	-	"	-	"	-	256,307	512,613	"
18	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	Hotong Motor Investment Co., Ltd.	"	Y	35,443	35,443	35,443	2.15%	"	-	"	-	"	-	50,167	100,335	"
19	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,152	22,152	8,861	2.15%	"	-	"	-	"	-	34,796	69,593	"
20	Tianjin Ho-Yu Toyota Motor Sales & Service Co.,Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,152	22,152	-	2.15%	"	-	"	-	"	-	40,111	80,222	Note 3
21	Shanghai Fengyi Construction Decoration Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	26,582	26,582	26,582	2.15%	"	-	"	-	"	-	53,409	106,819	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	642,401	642,401	502,930	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Toyota Motor Service Co., Ltd.	"	Y	177,214	177,214	21,797	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	265,821	265,821	229,404	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	265,821	265,821	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	"	Y	44,304	44,304	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	8,861	8,861	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	"	Y	13,291	13,291	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Y	177,214	177,214	116,252	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	177,214	177,214	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the three months ended March 31, 2024	Balance at March 31, 2024	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 Hotai Toyota Forklift Co., Ltd.	Other receivables	Y	\$ 44,304	\$ 44,304	\$ -	2.65%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 9,135,435	18,270,869	Note 2
22	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	265,821	265,821	64,417	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	221,518	221,518	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	132,911	132,911	6,956	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	177,214	177,214	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	"	Y	664,553	664,553	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	265,821	265,821	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	221,518	221,518	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	155,062	155,062	21,266	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	"	Y	44,304	44,304	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	"	Y	44,304	44,304	-	2.65%	"	-	"	-	"	-	9,135,435	18,270,869	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	Y	155,062	155,062	51,392	2.65%	"	-	"	-	"	-	1,827,087	3,654,174	Note 4
22	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., Ltd.	"	Y	132,911	132,911	105,487	2.65%	"	-	"	-	"	-	1,827,087	3,654,174	"
22	Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	"	Y	132,911	132,911	-	2.65%	"	-	"	-	"	-	1,827,087	3,654,174	"
22	Hotong Motor Investment Co., Ltd.	Hoyun International Leasing Co., Ltd.	"	Y	886,071	886,071	886,071	3.15%	"	-	"	-	"	-	1,827,087	3,654,174	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	132,911	132,911	132,911	2.95%	"	-	"	-	"	-	1,827,087	3,654,174	"
23	Hoyun International Leasing Co. Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	886,071	886,071	531,643	3.90%-4.10%	"	-	"	-	"	-	5,923,373	11,846,747	Note 5
23	Hoyun International Leasing Co. Ltd.	Homei International Trade (Suzhou) Co., Ltd.	"	Y	221,518	221,518	8,861	3.90%-4.10%	"	-	"	-	"	-	5,923,373	11,846,747	"
24	He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd	"	Y	45,000	45,000	-	1.73%	"	-	"	-	"	-	91,587	183,175	Note 6
24	He Jun Energy Co., Ltd.	Hon Yang Energy Co., Ltd.	"	Y	20,000	20,000	-	1.73%	"	-	"	-	"	-	91,587	183,175	"
24	He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	"	Y	10,000	10,000	-	1.73%	"	-	"	-	"	-	91,587	183,175	"
24	He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	"	Y	30,000	30,000	-	1.73%	"	-	"	-	"	-	91,587	183,175	"
24	He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co.,Ltd.	"	Y	40,000	40,000	3,000	1.73%~2.49%	"	-	"	-	"	-	91,587	183,175	"
25	He Jing Co., Ltd.	C	Accounts receivable	N	85,000	85,000	81,022	6.25%~10.00%	"	-	"	-	Real estate	68,000	302,209	604,417	Note 7
25	He Jing Co., Ltd.	D	"	N	140,000	140,000	59,183	6.00%~10.00%	"	-	"	-	Real estate	132,310	302,209	604,417	"
25	He Jing Co., Ltd.	E	"	N	30,000	30,000	29,733	5.00%~10.00%	"	-	"	-	Stock	24,000	302,209	604,417	"
26	Hotai Finance Development Co., Ltd.	A	"	N	70,000	70,000	-	6.00%~10.00%	"	-	"	-	Real estate	99,160	199,891	399,783	Note 8

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 Toyota 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 Toyota Motor Sales and Service Co., Ltd., Nanjing HoZhan Motor Sales and Service Co., Ltd., Qingdao Heling Lexus Automobile Sales Service Co., Ltd., Hoyun International Leasing Co., Ltd.,

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

Note 5: For loans granted by (Hoyun International Leasing Co., Ltd.) to foreign companies whose voting rights are 100% owned directly and indirectly by the parent company, ceiling on total loans granted is 200% of the total shareholders' equity and limit on loans granted to a single party is 100% of the total shareholders' equity.

Note 6: For the short-term financing granted by the creditor (He Jun Energy Co., Ltd.) to the borrower 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.

Note 7: For the short-term financing granted by the creditor (He Jin Co., Ltd.) to the borrower 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.

Note 8: For the short-term financing granted by the creditor (Hotai Finance Development Co., Ltd.) to the borrower for working capital needs, ceiling on total loans granted is 40% of net worth and limit on loans granted to a single party is 20% of net worth as prescribed.

Hotai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Three months ended March 31, 2024
(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 balance during the three months ended March 31, 2024	Outstanding endorsement/ guarantee amount at March 31, 2024	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Hotai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Note 4	\$ 19,716,083	\$ 2,000,000	\$ -	\$ -	\$ -	0.00%	\$ 32,860,193	Y	N	N	Note 2
0	Hotai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Note 4	19,716,083	400,000	400,000	302,000	-	0.61%	32,860,193	Y	N	N	"
1	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Note 4	34,985,805	2,195,464	-	-	-	0.00%	34,985,805	Y	N	Y	Note 3
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	Note 4	34,985,805	735,947	735,947	456,669	-	2.10%	34,985,805	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Note 4	34,985,805	3,000,000	3,000,000	1,377,471	-	8.57%	34,985,805	Y	N	N	"

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

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

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

Note 3: For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of its total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity.

The net asset value is based on the latest financial statements reviewed by auditors.

Note 4: The Company owns directly or indirectly more than 50% of the voting shares.

Hotai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

				As of March 31, 2024					
Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	Number of shares	Book Value	Ownership (%)	Fair value	Footnote	
Hotai Motor Co., Ltd.	Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current	21,745,299	\$ 881,772	0.15%	\$ 881,772		
	- Toyota Motor Corporation	-	"	15,956,000	12,796,840	0.10%	12,796,840		
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	638,466	0.42%	638,466		
	Taian Insurance Co., Ltd. Etc.	-	"	-	6,471,295	0.42%~10.00%	647,295		
				Total		<u>\$ 14,964,373</u>		<u>\$ 14,964,373</u>	
		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	1,581,500	744,250	0.01%	1,268,376	
				Valuation adjustment of financial assets		524,126		-	
				Total		<u>\$ 1,768,376</u>		<u>\$ 1,768,376</u>	
	Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,456	0.50%	\$ 4,456	
Beneficiary certificates		Not applicable	Financial assets at fair value through profit or loss - current	45,879,413	\$ 485,000	-	\$ 489,304		
- Franklin Templeton Sinoam Money Market Fund									
- CTBC Hua Win Money Market Fund		Not applicable	"	99,561,136	1,120,440	-	1,130,229		
			Valuation adjustment of financial assets		14,093		-		
			Total		<u>\$ 1,619,533</u>		<u>\$ 1,619,533</u>		
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	Not applicable	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,632	0.06%~0.50%	\$ 4,632		
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 2,205	-	\$ 2,205		
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	4,632	0.06%~0.5%	4,632		
			Total		<u>\$ 6,837</u>		<u>\$ 6,837</u>		
		PSC DSU 100% Principal Guaranteed (USD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 34,327	-	\$ 34,979	
				Valuation adjustment of financial assets		265,821	265,821	-	
				Total		<u>\$ 34,979</u>		<u>\$ 34,979</u>	
	PSC DSU 100% Principal Guaranteed (TWD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 700,000	-	\$ 700,000		
			Valuation adjustment of financial assets		-		-		
			Total		<u>\$ 700,000</u>		<u>\$ 700,000</u>		
Ho Tai Service & Marketing Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	1,853,787	\$ 22,000	-	\$ 22,870		
	- BOT Money Market Fund								
				Valuation adjustment of financial assets		870		-	
			Total		<u>\$ 22,870</u>		<u>\$ 22,870</u>		
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,456	0.50%	\$ 4,456		
He Jun Energy Co., Ltd.	Perpetual New Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,200,000	\$ 31,383	8.00%	\$ 31,383		
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,456	0.50%	\$ 4,456		

As of March 31, 2024

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	Number of shares	Book Value	Ownership (%)	Fair value	Footnote
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 24,484	10.48%	\$ 24,484	
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	-	\$ 101,852	
	- Mega Diamond Money Market Fund	Not applicable	"	18,015,334	230,000	-	233,147	
			Valuation adjustment of financial assets		4,999		-	
			Total		\$ 334,999		\$ 334,999	
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	929,671	\$ 9,734	-	\$ 9,915	
	- Mega Diamond Money Market Fund	Not applicable	"	7,237,118	92,151	-	93,660	
	- CTBC Hua Win Money Market Fund	Not applicable	"	458,630	5,108	-	5,206	
			Valuation adjustment of financial assets		1,788		-	
			Total		\$ 108,781		\$ 108,781	
ChyuanAn Transport Co.,Ltd	Beneficiary certificates	-						
	- CTBC Hua Win Money Market Fund		Financial assets at fair value through profit or loss - current	2,225,036	\$ 25,027	-	\$ 225,259	
			Valuation adjustment of financial assets		232		-	
			Total		\$ 25,259		\$ 225,259	
YuCheng Transport Co.,Ltd	Beneficiary certificates	-						
	- CTBC Hua Win Money Market Fund		Financial assets at fair value through profit or loss - current	3,996,389	\$ 45,000	-	\$ 45,367	
			Valuation adjustment of financial assets		367		-	
			Total		\$ 45,367		\$ 45,367	

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

Hotai Motor Co., Ltd.

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

Three months ended March 31, 2024

(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, 2024		Addition		Disposal			Balance as at March 31, 2024		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Hotai Finance Co., Ltd.	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	34,138,082	\$ 500,000	34,138,082	\$ 500,178	\$ 500,000	\$ 178	-	\$ -	
Hotai Finance Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	18,581,834	300,000	18,581,834	300,115	300,000	115	-	-	
Hotai Finance Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	59,639,894	1,000,000	59,639,894	1,000,382	1,000,000	382	-	-	
Hotai Finance Co., Ltd.	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	40,553,145	500,000	40,553,145	500,162	500,000	162	-	-	
Hotai Finance Development Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	297,128,789	4,797,000	297,128,789	4,798,213	4,797,000	1,213	-	-	

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

Hotai Motor Co., Ltd.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
Three months ended March 31, 2024
(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	outstanding Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Hotai Finance Co., Ltd.	5th floor, Units ABC and 6th floor, Units ABCD in Land Lot No. 28~30, 34~39, Zhongxing section, Sanchong Dist., New Taipei City	2023.5.4	\$ 922,360	\$ 138,330	Kuo Yang Construction Co., Ltd.	Non-related party	-	-	-	\$ -	Valuations by professional appraisers (Note 1 and Note2)	Future operation demand	None

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

Note 2: In May, 2023, Hotai Finance Co., Ltd. signed a real estate purchase and sale agreement with a non-related party for the purchase of land and buildings in the Zhongxing section, Sanchong District, New Taipei City.

As the ownership has not been transferred yet, it is recorded under "Other Non-current Assets - Others".

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

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

Hotai Motor Co., Ltd.
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Real estate disposed by	Real estate	Date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the counterparty	Reason for disposal	Basis or reference used in setting the price	Other commitments
Hotai Development Co., Ltd.	9~12F., No. 143, Fuxing N. Rd., Songshan Dist., Taipei City	2024.1.8	1989.12.30	\$ 278,380	\$ 685,000	Completed	\$ 406,620	Ho An Insurance Agency Co., Ltd.	Related party	Future operation demand	Valuations by professional appraisers (Note 1)	None

Note 1: Based on the appraisal report and market conditions provided by Rui Pu International Real Estate Appraisal Firm (appraised value of \$715,000).

Note 2: Transaction amount is the total contract price.

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

Note 4: Date of the event referred to herein is the date of contract signing, date 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.

Hotai Motor Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hotai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 8,264,155	20%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 541,080	17%	
Hotai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	Associates	Sales	7,648,029	18%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	492,007	15%	
Hotai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Sales	6,088,536	15%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	378,617	12%	
Hotai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	Associates	Sales	5,805,973	14%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	406,233	13%	
Hotai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	Sales	5,525,660	13%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	290,359	9%	
Hotai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	Associates	Sales	5,128,768	12%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	350,993	11%	
Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Sales	790,234	2%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	The imported large vehicles and parts are sold to the company, so it is not applicable.	Normal	360,636	11%	
Hotai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	Sales	863,385	2%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	70,815	2%	
Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	Sales	796,552	2%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	77,942	2%	
Hotai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Subsidiary	Sales	286,815	1%	Collection at sight	Normal	Normal	36,573	1%	
Hotai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	12,699,326	35%	Pays its accounts 15 days after the end of each month	Major supplier of imported cars, so it is not applicable	Normal	(4,374,421)	47%	
Hotai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	13,844,669	39%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Major supplier of domestic cars, so it is not applicable.	Normal	(1,170,431)	12%	
Hotai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	Purchases	572,350	2%	Pays its accounts 16 days after the end of each month	Major supplier of parts for small cars, so it is not applicable.	Normal	(420,755)	4%	
Hotai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	Purchases	606,852	2%	Pays its accounts 15 days after the end of each month	Major supplier of parts, so it is not applicable.	Normal	(136,455)	1%	
Hotai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	Purchases	292,389	1%	Pays its accounts 16 days after the end of each month	Major supplier of vehicle tires, so it is not applicable.	Normal	(96,875)	1%	
Hotai Motor Co., Ltd.	TOYOTA-MOTOR-SALES-USA	Entity controlled by the Company's key management	Purchases	540,449	2%	Pays its accounts 15 days after the end of each month	Major supplier of imported cars, so it is not applicable	Normal	(341,232)	4%	
Chang Yuan Motor Co., Ltd.	Hotai Motor Co., Ltd.	Ultimate parent company	Purchases	790,234	32%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Major supplier of large vehicles and parts, so it is not applicable.	Not applicable	(360,636)	53%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	\$ 1,621,236	65%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Major supplier of domestic cars, so it is not applicable.	Not applicable	(\$ 222,412)	32%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	205,197	94%	Collects its accounts 10 days after the end of each month	Normal	Normal	71,990	70%	
Carmax Co., Ltd.	Hotai Motor Co., Ltd.	Ultimate parent company	Sales	572,350	25%	Collects its accounts 16 days after the end of each month	Normal	Normal	420,755	33%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	Sales	383,600	17%	Collects its accounts 40 days after the end of each month	Normal	Normal	234,981	18%	
Carmax Co., Ltd.	AIM Technology Corp.	Associates	Purchases	324,940	19%	Pays its accounts 21 days after the end of each month	Normal	Normal	(121,715)	14%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	Purchases	205,197	13%	Pays its accounts 10 days after the end of each month	Normal	Normal	(71,990)	8%	
Hoing Mobility Service Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	Purchases	105,864	23%	Payment at sight	Normal	Normal	-	-	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	Purchases	1,139,297	21%	Payment at sight	Normal	Normal	(161,163)	32%	
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Purchases	625,665	11%	Payment at sight	Normal	Normal	(44,905)	9%	
Hotai Leasing Co., Ltd.	Hotai Motor Co., Ltd.	Ultimate parent company	Purchases	286,815	5%	Payment at sight	Normal	Normal	(36,573)	7%	
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	Purchases	354,330	6%	Payment at sight	Normal	Normal	(47,116)	9%	
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	Associates	Purchases	397,168	7%	Payment at sight	Normal	Normal	(1,445)	-	
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	Associates	Purchases	267,707	5%	Payment at sight	Normal	Normal	(18,027)	4%	
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	Associates	Purchases	129,167	2%	Payment at sight	Normal	Normal	(566)	-	
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	Associates	Purchases	123,916	2%	Payment at sight	Normal	Normal	-	-	
Eastern Motor Co., Ltd.	Hotai Motor Co., Ltd.	Ultimate parent company	Purchases	796,552	96%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	(77,942)	85%	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	345,070	98%	Payment in advance	Normal	Normal	-	-	
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	198,537	79%	Payment in advance	Normal	Normal	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	187,984	91%	Payment in advance	Normal	Normal	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	202,204	95%	Payment in advance	Normal	Normal	-	-	
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	319,126	85%	Payment in advance	Normal	Normal	-	-	
Shanghai Heling Lexus Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	431,133	88%	Payment in advance	Normal	Normal	-	-	
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	180,046	81%	Payment in advance	Normal	Normal	-	-	

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

Hotai Motor Co., Ltd.
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 8

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2024	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Hotai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable \$ 541,080	54.24	\$ -	—	\$ 541,080	\$ -
Hotai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable 492,007	54.33	-	—	492,007	-
Hotai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable 378,617	57.03	-	—	378,617	-
Hotai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable 406,233	53.76	-	—	406,233	-
Hotai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable 290,359	76.24	-	—	290,359	-
Hotai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable 350,993	52.08	-	—	350,993	-
Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable 360,636	11.64	-	—	360,636	-
Carmax Co., Ltd.	Hotai Motor Co., Ltd.	Ultimate parent company	Accounts receivable 420,755	20.38	-	—	420,755	-
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	Accounts receivable 234,981	32.41	-	—	234,981	-

Hotai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 9

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 790,234	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	220,753	Closes its accounts 16 days after the end of following two months	-
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	360,636	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	796,552	"	1%
0	Hotai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	420,755	Closes its accounts 16 days after the end of following two months	-
0	Hotai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	286,815	Payment at sight	-
1	Carmax Co., Ltd.	Hotai Motor Co., Ltd.	2	Sales revenue	572,350		1%
2	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	163,347	Pays its accounts 30 days after the end of each month	-
2	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	156,702	"	-
2	Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	3	Other payables	147,354	"	-
2	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	3	Other receivables	116,252	Collects its accounts 30 days after the end of each month	-
2	Hotong Motor Investment Co., Ltd.	Hoyun International Leasing Co. Ltd.	3	Other receivables	886,071	"	-
2	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	229,404	"	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
2	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	\$ 502,930	Collects its accounts 30 days after the end of each month	-
2	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., Ltd.	3	Other receivables	105,487	"	-
3	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	205,197		-
3	Hoyun International Leasing Co. Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	3	Other receivables	531,642	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, just indicate the type. (If it is the same transaction between the parent company and its subsidiaries or among the subsidiaries, it is not necessary to disclose it repeatedly. For instance: a transaction the parent company to a subsidiary, if the parent company has disclosed it, then the subsidiary does not need to disclose it again; a transaction between subsidiaries, if one subsidiary has disclosed it, then the other subsidiary does not need to disclose it again):

(1.)The parent company to the subsidiary.

(2.)The subsidiary to the parent company.

(3.)The subsidiary to another subsidiary.

Note 3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Hotai Motor Co., Ltd.
Names, locations and other information of investee companies (not including investees in Mainland China)
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 10

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2024			Net profit (loss) of the investee for the three months ended March 31, 2024	Investment income (loss) recognized by the Company for the three months ended March 31, 2024	Footnote
				Balance at March 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
Hotai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 12,004,622	\$ 12,004,622	254,032	100.00	\$ 19,870,087	\$ 739,429	\$ 739,429	Subsidiary
Hotai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	7,156,020	1,241,843	373,987	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	26,000,000	26,000,000	2,182,142,857	77.93	4,009,301	709,825	553,204	Subsidiary
Hotai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,484,716	3,484,716	108,897,360	100.00	9,246,742	(57,968)	(57,968)	"
Hotai 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	4,643,430	113,574	113,574	"
Hotai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,958,343	316,787	62,589	Investee company accounted for using the equity method
Hotai 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	4,035,172	570,595	280,400	Subsidiary
Hotai 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	2,056,038	297,535	58,339	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,235,931	1,235,931	22,161,150	20.00	1,575,071	189,091	36,267	"
Hotai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	2,153,351	364,287	185,786	Subsidiary
Hotai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,983	1,335	200	Investee company accounted for using the equity method
Hotai 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	1,537,461	229,029	79,725	"
Hotai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,690,905	320,747	64,727	"
Hotai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,367,293	240,693	56,972	"
Hotai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	Sales of vehicles and parts for industry use	50,000	50,000	79,578,810	100.00	1,200,039	41,740	41,740	Subsidiary
Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	46,550,242	100.00	566,763	13,212	13,212	"
Hotai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	315,304	25,355	4,900	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	403,743	4,602	2,045	"
Hotai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	124,933	1,408	298	"
Hotai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Taiwan	Import and export of all kinds of tires and inner tubes	3,000	3,000	3,000	25	128,857	28,162	7,040	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	36,981	2,315	463	Subsidiary
Hotai Motor Co., Ltd.	Hotai Connected Co., Ltd.	"	E-commerce platform services	615,342	615,342	79,100,000	70.00	713,465	27,197	19,038	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2024			Net profit (loss) of the investee for the three months ended March 31, 2024	Investment income (loss) recognized by the Company for the three months ended March 31, 2024	Footnote
				Balance at March 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
Hotai Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Taiwan	Car assembly business	\$ 500,000	\$ 500,000	50,000,000	50.00	\$ 526,416	\$ 10,826	\$ 5,413	Subsidiary
Hotai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	"	Sales of vehicle bodies	37,010	37,010	4,000,000	100.00	49,973	8,169	8,169	"
Hotai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar energy business	180,000	180,000	18,000,000	18.00	161,419 (	19,102) (	3,438)	"
Hotai Motor Co., Ltd.	Gochabar Co., Ltd.	"	Charging system technical service	12,000	12,000	265,821	265,821	9,286 (	6,435) (	644)	Investee company accounted for using the equity method
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	112,000	112,000	3,500,000	70.00	117,993	698	-	Sub-subsidiary
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	62,010	62,010	257,161,874	45.39	12,290,210	839,882	-	"
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	105,958,449	66.04	4,032,295	273,023	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	428,963	339	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	-	145	229,029	-	Investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	11,331,887	11,331,887	617,525,888	22.05	1,134,581	709,825	-	Subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	369,620	40,501	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	"	1,292,800	1,292,800	40,400,000	50.50	2,991,931	172,733	-	Sub-subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	33,401,880	50.82	343,102 (	51,761)	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	120,000	120,000	12,000,000	27.40	76,196 (	10,785)	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	2,430,000	2,430,000	243,000,000	81.00	2,472,676	30,599	-	"
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power business	800,000	800,000	80,000,000	80.00	717,134 (	19,101)	-	Subsidiary
Hotai Finance Co., Ltd.	Ly Hour Leasing PLC	Cambodia	Leasing of vehicles	544,000	544,000	5,600,000	35.00	552,142	9,291	-	Sub-subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hotai Finance Development Co., Ltd.	Taiwan	Installment trading of various equipments	1,000,000	-	100,000,000	100.00	999,457 (	543)	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	"	Energy storage business	22,000	22,000	2,200,000	100.00	19,875 (	1,093)	-	"
He Jun Energy Co., Ltd.	Zheng Ren Energy Co., Ltd.	"	Solar power business	154,980	86,730	15,498,000	35.00	140,021 (	1,554)	-	Sub-subsidiary's investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	"	32,781	32,781	3,200,000	96.97	31,911 (	300)	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	"	"	20,816	20,816	2,079,000	99.00	20,530 (	161)	-	"
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	"	27,706	27,706	2,673,000	99.00	24,947 (	417)	-	"
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	"	Energy storage business	410,000	410,000	41,000,000	20.00	404,279 (	5,185)	-	Sub-subsidiary's investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Gochabar Co., Ltd.	"	Charging system technical service	36,000	36,000	3,600,000	30.00	27,857 (	6,437)	-	Investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	"	Solar power business	42,227	42,227	4,000,000	100.00	40,407 (	801)	-	Sub-subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2024			Net profit (loss) of the investee for the three months ended March 31, 2024	Investment income (loss) recognized by the Company for the three months ended March 31, 2024	Footnote
				Balance at March 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Taiwan	Electricity sales related business	\$ 1,000	\$ 1,000	100,000	100.00	\$ 844	(\$ 17)	\$ -	Sub-subsiary
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	"	Solar power business	88,685	88,685	9,200,000	100.00	90,182	(883)	-	"
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	"	"	163,017	163,017	10,000,000	100.00	167,559	605	-	"
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	"	"	474,783	474,783	5,000,000	100.00	471,556	3,320	-	"
He Jun Energy Co., Ltd.	Pacific One Energy Ltd.	"	"	162,766	-	94,011	100.00	162,488	218	-	"
He Jun Energy Co., Ltd.	Ruei Yang Guang Dian Co., Ltd.	"	"	81,202	-	4,000,000	100.00	81,405	401	-	"
Cheng Yo Technology Co., Ltd.	Hon Yang Energy Co., Ltd.	"	"	27,037	27,037	2,000,000	100.00	28,104	1,067	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,267,200	1,267,200	39,600,000	49.50	2,931,846	172,733	-	"
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	300,000	300,000	32,324,400	49.18	332,030	(51,761)	-	"
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000,000	41.10	112,224	(10,785)	-	"
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	"	Tourism industry	10,000	10,000	1,000,000	100.00	20,356	3,386	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	"	Taxi service	9,748	9,748	3,400,000	100.00	35,919	93	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	"	"	39,225	39,225	7,000,000	100.00	97,499	(77)	-	"
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	"	Car assembly business	200,000	200,000	20,000,000	20.00	210,420	10,826	-	Subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	120,039	2,315	-	"
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products/accessories	38,500	38,500	3,850,000	35.00	41,960	1,335	-	Investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	96,000	96,000	3,000,000	100.00	105,070	811	-	Sub-subsiary
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their	100,000	100,000	27,190,239	100.00	926,135	32,241	-	"
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	107,378	991	-	"
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	145,206	10,046	-	"
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	99,069	9,514	-	"
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	"	10,000	10,000	1,000,000	100.00	20,816	665	-	"
Eastern Motor Co., Ltd.	Daleon Auto Parts and Accessories Corporation	"	Wholesale and retail of vehicles parts and accessories	500	500	50,000	100.00	660	(95)	-	"
Eastern Motor Co., Ltd.	Doroman Autoparts Corporation	"	"	500	500	138,718	100.00	10,772	370	-	"
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	"	E-commerce platform services	5,650	5,650	565,000	0.50	5,650	27,197	-	Subsidiary
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	3,000	3,000	300,000	0.68	3,000	(10,785)	-	Sub-subsiary

Hotai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Three months ended March 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 11

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	Net income of investee for the three months ended March 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2024	Book value of investment in Mainland China as of March 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2024	Footnote
					Remitted to Mainland China	outstanding balance during the three							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 4,907,440	Note(2)	\$ 685,120	\$ -	\$ -	\$ 685,120	(\$ 40,740)	100.00	(\$ 40,740)	\$ 9,084,556	\$ 1,326,147	Note 2.3
Shanghai Hoyu Toyota Motor Service Co., Ltd.	Sales and repairing of vehicles	107,840	Note(2)	107,840	-	-	107,840	(3,513)	100.00	(3,513)	348,349	-	"
ChongQing Yudu Toyota Automobile Sales & Service Co., Ltd.	Sales and repairing of vehicles	132,912	Note(2)	11,760	-	-	11,760	-	10.48	-	11,760	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	96,000	Note(2)	32,000	-	-	32,000	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	192,000	Note(2)	192,000	-	-	192,000	(6,096)	100.00	(6,096)	376,683	-	"
Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	96,000	Note(2)	96,000	-	-	96,000	5,286	100.00	5,286	142,551	-	"
Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	160,000	Note(2)	112,000	-	-	112,000	698	70.00	489	117,993	-	"
Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	112,000	Note(3)	84,000	-	-	84,000	(24,610)	100.00	(24,610)	824,882	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Sales and repairing of vehicles	132,912	Note(2)	12,600	-	-	12,600	-	10.48	-	12,600	26,106	"
Shanghai Hotai Toyota Forklift Co., Ltd.	Sales of vehicles and parts for industry use	192,000	Note(2)	192,000	-	-	192,000	(452)	100.00	(452)	203,974	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	436,800	Note(2)	297,600	-	-	297,600	193	100.00	193	256,502	-	"
Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	44,394	Note(3)	-	-	-	-	251	100.00	251	50,422	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	185,600	Note(2)	185,600	-	-	185,600	(4,038)	100.00	(4,038)	296,264	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Sales and repairing of vehicles	208,000	Note(2)	208,000	-	-	208,000	5,120	100.00	5,120	378,438	-	"
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,560,000	Note(2)	2,560,000	-	-	2,560,000	172,733	55.61	96,062	3,294,150	514,959	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	221,518	Note(3)	-	-	-	-	10,788	55.61	6,000	171,361	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	664,553	Note(3)	-	-	-	-	8,659	55.61	4,815	351,044	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	96,000	Note(2)	96,000	-	-	96,000	811	45.01	365	45,318	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	384,000	Note(3)	-	-	-	-	1,586	100.00	1,586	437,927	-	"
Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	303,925	Note(3)	-	-	-	-	954	100.00	954	296,914	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	Net income of investee for the three months ended March 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2024	Book value of investment in Mainland China as of March 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2024	Footnote
					Remitted to Mainland China	outstanding balance during the three							
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	\$ 384,000	Note(3)	\$ -	\$ -	\$ -	\$ -	(\$ 3,081)	35.00	(\$ 1,078)	\$ 50,065	\$ -	Note 2.3
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,560	Note(1)	42,560	-	-	42,560	13,131	51.00	6,697	212,208	-	"
Guangzhou Gac Changho Autotech Corporation	Trading of vehicle products/accessories	102,187	Note(1)	45,984	-	-	45,984	33,136	22.95	7,605	55,102	224,137	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	320,000	Note(3)	-	-	-	-	(34)	35.00	(12)	171,321	-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	480,000	Note(3)	-	-	-	-	(1,424)	35.00	(498)	223,434	-	"
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	384,000	Note(3)	-	-	-	-	88	35.00	31	224,356	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	448,000	Note(3)	-	-	265,821	265,821	(941)	35.00	(329)	27,879	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,608	Note(3)	-	-	-	-	(97)	100.00	(69)	5,196	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,430	Note(3)	-	-	-	-	126	100.00	126	12,254	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	473,613	Note(3)	-	-	-	-	(16,187)	100.00	(17,223)	607,580	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	1,018,992	Note(3)	-	-	-	-	1,205	100.00	1,205	1,006,483	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	13,291	Note(3)	-	-	-	-	761	100.00	761	31,548	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	88,608	Note(3)	-	-	-	-	457	100.00	457	132,269	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	44,304	Note(3)	-	-	-	-	(11,679)	50.00	(5,840)	(25,982)	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	320,000	Note(3)	-	-	-	-	(2,148)	100.00	(2,148)	278,629	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	336,000	Note(3)	-	-	-	-	(4,366)	100.00	(4,366)	329,251	-	"
Tianjin Binhai Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	132,912	Note(3)	-	-	-	-	(4,911)	35.00	(1,719)	40,884	-	"
Tianjin Yongda Communication Technology Co., Ltd.	Trading of vehicle products / accessories and property management	260,419	Note(3)	-	-	-	-	216	35.00	(934)	164,187	-	"
Nanjing HoZhan Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	132,912	Note(3)	-	-	-	-	(4,233)	70.00	(2,963)	76,431	-	"
Taiyuan Zhongdu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	137,600	Note(3)	-	-	-	-	(9,984)	35.00	(3,494)	33,862	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	22,152	Note(3)	-	-	-	-	171	100.00	(3,134)	474,786	-	"
Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	248,102	Note(3)	-	-	-	-	5,213	70.00	1,725	622,910	-	"
Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	753,168	Note(3)	-	-	-	-	1,225	100.00	1,225	771,897	-	"
Qingdao Heling Lexus Automoiile Sales Service Co., Ltd.	Sales and repairing of vehicles	301,128	Note(3)	-	-	-	-	(12,852)	70.00	(8,996)	186,935	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	Net income of investee for the three months ended March 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2024	Book value of investment in Mainland China as of March 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2024	Footnote
					Remitted to Mainland China	outstanding balance during the three							
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing of licence plate	\$ 443	Note(3)	\$ -	\$ -	\$ -	\$ -	\$ -	55.61	\$ -	\$ 3,607	\$ -	Note 2.3
Hangzhou Wangyou Network Technology Co., Ltd.	Leasing of licence plate	443	Note(3)	-	-	-	-	-	55.61	-	1,047	-	"
Homei International Trade (Suzhou) Co., Ltd.	Gooding trading business	443	Note(3)	-	-	-	(2,088)	55.61	(1,161)	(1,358)	-	-	"

Note 1: The investmets are classified as follows:

Note(1) Direct investment in Mainland China.

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

Note(3) Others.

Note 2: The amount of investment income (loss) recognized for the three months ended March 31, 2024 is based on:

(1) The financial statements were reviewed by R.O.C parent company's CPA.

(2) The financial statements were reviewed by other independent auditors in PricewaterhouseCoopers, Taiwan.

(3) Others

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	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
Hotai Motor Co., Ltd.	\$ 2,110,210	\$ 5,462,649	\$ 59,976,695

Hotai Motor Co., Ltd.
Major shareholders information
March 31, 2024

Table 12

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