

**HOTAI FINANCE CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022**

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022
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INDEPENDENT AUDITORS' REVIEW REPORT
(TRANSLATED FROM CHINESE)

To the Board of Directors and Stockholders of Hotai Finance Company Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Hotai Finance Co., Ltd. and its subsidiaries (the "Group") as at March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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(6), the financial statements of certain insignificant consolidated subsidiaries, investments accounted for under the equity method and the information disclosed in Note 13 were not reviewed by independent auditors. Total assets of these subsidiaries and investments accounted for under the equity method amounted to NT\$18,388,225 thousand and NT\$9,489,891 thousand, constituting 6.85% and 4.43% of the consolidated total assets as at March 31, 2023 and 2022, respectively, total liabilities amounted to NT\$14,990,878 thousand and NT\$5,958,022 thousand, constituting 6.34% and 3.18% of the consolidated total liabilities as at March 31, 2023 and 2022,

respectively, and the total comprehensive income amounted to NT\$3,228 thousand and NT\$56 thousand, constituting 0.34% and 0.00% of the consolidated total comprehensive income for the three-month periods then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under the equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three-month periods 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

Lin, Chia-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

May 4, 2023

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

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

	Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,706,854	1	\$ 2,382,775	1	\$ 3,726,719	2
1110	Financial assets at fair value	6(2)						
	through profit or loss-current		-	-	300,000	-	-	-
1139	Hedging financial assets-	6(3)						
	current		398,909	-	504,827	-	2,719	-
1150	Notes receivable, net	6(4) and 8	9,845,599	4	9,340,046	4	8,540,905	4
1170	Accounts receivable, net	6(4), 7 and 8	226,249,201	84	216,928,982	85	180,809,687	85
1200	Other receivables	7	116,910	-	82,568	-	81,914	-
130X	Inventories		4,348	-	5,979	-	3,133	-
1410	Prepayments	6(5) and 7	7,240,016	3	6,886,170	3	6,739,810	3
1476	Other current financial assets	8	348,785	-	373,119	-	359,000	-
11XX	Current Assets		<u>247,910,622</u>	<u>92</u>	<u>236,804,466</u>	<u>93</u>	<u>200,263,887</u>	<u>94</u>
Non-current assets								
1517	Financial assets at fair value							
	through other comprehensive							
	income-non-current		20,028	-	3,519	-	3,809	-
1550	Investments accounted for	6(6)						
	using equity method		608,638	-	115,502	-	101,291	-
1600	Property, plant and equipment,	6(7)						
	net		7,011,798	3	6,886,804	3	6,736,245	3
1755	Right-of-use assets	6(8)	385,020	-	368,464	-	337,300	-
1760	Investment property, net	6(10)	284,226	-	284,766	-	-	-
1840	Deferred income tax assets		898,533	-	826,857	-	761,263	-
1930	Long-term notes and accounts	6(4)						
	receivable		9,571,245	4	8,463,807	3	4,580,797	2
1990	Other non-current assets,	8						
	others		1,879,061	1	1,610,903	1	1,326,462	1
15XX	Non-current assets		<u>20,658,549</u>	<u>8</u>	<u>18,560,622</u>	<u>7</u>	<u>13,847,167</u>	<u>6</u>
1XXX	Total assets		<u>\$ 268,569,171</u>	<u>100</u>	<u>\$ 255,365,088</u>	<u>100</u>	<u>\$ 214,111,054</u>	<u>100</u>

(Continued)

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		Amount	%	Amount	%	Amount	%	
Liabilities								
Current liabilities								
2100	Short-term loans	6(11)	\$ 83,523,293	31	\$ 83,933,343	33	\$ 63,135,064	30
2110	Short-term notes and bills payable	6(12)	112,477,243	42	104,986,596	41	98,364,367	46
2126	Hedging financial liabilities-current	6(3)	788,187	-	586,800	-	707,700	-
2150	Notes payable	7	773,856	-	762,215	1	699,644	-
2170	Accounts payable		333,930	-	355,928	-	191,428	-
2180	Accounts payable-related parties	7	147,482	-	158,458	-	148,025	-
2200	Other payables	6(13) and 7	5,194,869	2	3,165,332	1	3,021,717	2
2230	Current income tax liabilities		1,026,371	1	724,843	-	789,464	-
2280	Current lease liabilities	7	122,156	-	114,848	-	123,515	-
2320	Bonds payable	6(14)	26,200,000	10	22,200,000	9	15,200,000	7
2320	Long-term liabilities-current portion	6(15)	173,787	-	7,891	-	-	-
2370	Current financial guarantee liabilities		34,607	-	39,598	-	49,317	-
2399	Guarantee deposits received-current	6(16)	4,403,589	2	4,275,142	2	3,870,319	2
2399	Other current liabilities, others		56,263	-	65,667	-	70,467	-
21XX	Total current liabilities		<u>235,255,633</u>	<u>88</u>	<u>221,376,661</u>	<u>87</u>	<u>186,371,027</u>	<u>87</u>
Non-current liabilities								
2540	Long-term loans	6(15)	480,839	-	254,832	-	137,404	-
2570	Deferred income tax liabilities		355,787	-	360,686	-	246,945	-
2580	Lease liabilities-non-current	7	263,342	-	255,831	-	218,766	-
2645	Guarantee deposits received-non-current	6(16)	238,152	-	224,064	-	273,834	-
25XX	Total non-current liabilities		<u>1,338,120</u>	<u>-</u>	<u>1,095,413</u>	<u>-</u>	<u>876,949</u>	<u>-</u>
2XXX	Total Liabilities		<u>236,593,753</u>	<u>88</u>	<u>222,472,074</u>	<u>87</u>	<u>187,247,976</u>	<u>87</u>
Equity								
Share capital								
3110	Common stock	6(18)	5,150,004	2	5,150,004	2	5,150,004	2
3120	Preference stock		500,000	-	500,000	-	-	-
Capital surplus								
3200	Capital surplus	6(19)	12,510,367	5	12,510,367	5	8,000,217	4
Retained earnings								
3310	Legal reserve	6(20)	2,083,531	1	2,083,531	1	1,769,387	1
3320	Special reserve		157,171	-	157,171	-	75,482	-
3350	Unappropriated earnings		8,019,892	3	8,981,897	4	8,785,674	4
Other equity interest								
3400	Other equity interest		11,070	-	98,329	-	(39,966)	-
31XX	Total equity attributable to shareholders of the parent		<u>28,432,035</u>	<u>11</u>	<u>29,481,299</u>	<u>12</u>	<u>23,740,798</u>	<u>11</u>
36XX	Non-controlling interest		3,543,383	1	3,411,715	1	3,122,280	2
3XXX	Total equity		<u>31,975,418</u>	<u>12</u>	<u>32,893,014</u>	<u>13</u>	<u>26,863,078</u>	<u>13</u>
Significant contingent liabilities and unrecognized contract commitments								
Significant event after the balance sheet date								
3X2X	Total liabilities and equity		<u>\$ 268,569,171</u>	<u>100</u>	<u>\$ 255,365,088</u>	<u>100</u>	<u>\$ 214,111,054</u>	<u>100</u>

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(Reviewed, not audited)

	Items	Notes	Three months ended March 31,			
			2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	6(21) and 7	\$ 6,564,637	100	\$ 5,184,626	100
5000	Operating costs	6(22) and 7	(2,616,778)	(40)	(1,665,311)	(32)
5900	Gross profit		<u>3,947,859</u>	<u>60</u>	<u>3,519,315</u>	<u>68</u>
	Operating expenses	6(27)(28) and 7				
6100	Selling expenses		(1,459,582)	(22)	(1,565,597)	(31)
6200	General and administrative expenses		(474,066)	(7)	(368,150)	(7)
6450	Expected credit losses		(721,917)	(11)	(414,258)	(8)
6000	Total operating expenses		(2,655,565)	(40)	(2,348,005)	(46)
6900	Operating profit		<u>1,292,294</u>	<u>20</u>	<u>1,171,310</u>	<u>22</u>
	Non-operating income and expenses					
7100	Interest income	6(23)	3,747	-	3,581	-
7010	Other income	6(24)	59,155	1	87,536	2
7020	Other gains and losses	6(25)	(14,285)	(1)	179	-
7050	Finance costs	6(26)	(1,208)	-	(1,077)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(7,744)	-	(1,857)	-
7000	Total non-operating income and expenses		<u>39,665</u>	<u>-</u>	<u>88,362</u>	<u>2</u>
7900	Profit before income tax		<u>1,331,959</u>	<u>20</u>	<u>1,259,672</u>	<u>24</u>
7950	Income tax expense	6(29)	(319,263)	(5)	(291,373)	(5)
8200	Profit for the period		<u>\$ 1,012,696</u>	<u>15</u>	<u>\$ 968,299</u>	<u>19</u>

(Continued)

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three months ended March 31,				
		2023		2022		
		Amount	%	Amount	%	
Other comprehensive income (loss) for the period						
Components of other comprehensive income that may not be reclassified to profit or loss						
8316		Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	\$ 509	-	\$ 452	-
8310		Total components of other comprehensive income that may not be reclassified to profit or loss	509	-	452	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361		Financial statement translation differences of foreign operations	31,911	1	178,118	3
8368	6(3)	(Losses) gains on hedging instrument	(128,097)	(2)	30,321	1
8399	6(29)	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	26,571	-	(7,791)	-
8360		Total components of other comprehensive (loss) income that will be reclassified to profit or loss	(69,615)	(1)	200,648	4
8300		Other comprehensive (loss) income for the period, net of tax	(\$ 69,106)	(1)	\$ 201,100	4
8500		Total comprehensive income for the period	\$ 943,590	14	\$ 1,169,399	23
Profit attributable to:						
8610		Owners of parent	\$ 899,181	13	\$ 868,329	17
8620		Non-controlling interests	113,515	2	99,970	2
			\$ 1,012,696	15	\$ 968,299	19
Comprehensive income attributable to:						
8710		Owners of parent	\$ 811,922	12	\$ 985,534	19
8720		Non-controlling interests	131,668	2	183,865	4
			\$ 943,590	14	\$ 1,169,399	23
Earnings per share (in dollars) 6(30)						
9750		Basic earnings per share	\$ 1.63		\$ 1.69	
9850		Diluted earnings per share	\$ 1.63		\$ 1.68	

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

Notes	Equity attributable to owners of the parent											Total equity	
	Share capital			Retained earnings				Other equity interest					Non-controlling interest
	Common stock	Preference stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	(Losses) gains on hedging instruments	Total			
<u>Three months ended March 31, 2022</u>													
Balance at January 1, 2022	\$ 5,150,004	\$ -	\$ 8,000,217	\$ 1,769,387	\$ 75,482	\$ 7,917,345	(\$ 107,689)	\$ 2,994	(\$ 52,476)	\$ 22,755,264	\$ 2,738,415	\$ 25,493,679	
Profit for the period	-	-	-	-	-	868,329	-	-	-	868,329	99,970	968,299	
Other comprehensive income for the period	-	-	-	-	-	-	89,949	452	26,804	117,205	83,895	201,100	
Total comprehensive income for the period	-	-	-	-	-	868,329	89,949	452	26,804	985,534	183,865	1,169,399	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	200,000	200,000	
Balance at March 31, 2022	\$ 5,150,004	\$ -	\$ 8,000,217	\$ 1,769,387	\$ 75,482	\$ 8,785,674	(\$ 17,740)	\$ 3,446	(\$ 25,672)	\$ 23,740,798	\$ 3,122,280	\$ 26,863,078	
<u>Three months ended March 31, 2023</u>													
Balance at January 1, 2023	\$ 5,150,004	\$ 500,000	\$ 12,510,367	\$ 2,083,531	\$ 157,171	\$ 8,981,897	(\$ 71,283)	\$ 3,156	\$ 166,456	\$ 29,481,299	\$ 3,411,715	\$ 32,893,014	
Profit for the period	-	-	-	-	-	899,181	-	-	-	899,181	113,515	1,012,696	
Other comprehensive income (loss) for the period	-	-	-	-	-	-	16,115	508	(103,882)	(87,259)	18,153	(69,106)	
Total comprehensive income (loss) for the period	-	-	-	-	-	899,181	16,115	508	(103,882)	811,922	131,668	943,590	
Appropriation and distribution of retained earnings													
Dividend on preferred stock	6(20)	-	-	-	-	(58,685)	-	-	-	(58,685)	-	(58,685)	
Cash dividend on common stock	6(20)	-	-	-	-	(1,802,501)	-	-	-	(1,802,501)	-	(1,802,501)	
Balance at March 31, 2023	\$ 5,150,004	\$ 500,000	\$ 12,510,367	\$ 2,083,531	\$ 157,171	\$ 8,019,892	(\$ 55,168)	\$ 3,664	\$ 62,574	\$ 28,432,035	\$ 3,543,383	\$ 31,975,418	

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Review, not audited)

	Notes	Three months ended March 31,	
		2023	2022
Cash Flows From Operating Activities			
Profit before tax		\$ 1,331,959	\$ 1,259,672
Adjustments to reconcile net profit to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Expected credit losses and financial guarantee expenses		1,019,388	577,060
Depreciation	6(27)	350,934	357,658
Reversal of impairment loss recognized on leased assets	6(7)	(435)	(363)
Gains on financial assets at fair value through profit or loss	6(2)(25)	(196)	-
Net losses (gains) on disposals of property, plant and equipment	6(25)	3,890	(861)
Interest expense	6(22)(26)	964,816	453,712
Interest income	6(21)(23)	(4,751,328)	(3,676,164)
Profit from lease modification	6(8)	(38)	(4)
Share of profit or loss of associates accounted for using equity method	6(6)	7,744	1,857
Exchange gain		-	(582)
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		300,196	-
Notes and accounts receivable		(11,949,711)	(9,799,398)
Other receivables		(32,575)	(9,097)
Inventories		94,979	56,377
Prepayments		(351,253)	(109,939)
Other financial assets		(22,701)	80,157
Net changes in liabilities relating to operating activities			
Notes and accounts payable		30,224	40,180
Other payables		(290,288)	(12,267)
Current financial guarantee liabilities		(4,991)	(4,390)
Other current liabilities, others		(9,404)	9,174
Cash outflow generated from operations		(13,308,790)	(10,777,218)
Interest received		4,749,565	3,672,641
Interest paid		(924,660)	(427,914)
Income tax paid		(67,739)	(65,477)
Net cash flows used in operating activities		(9,551,624)	(7,597,968)
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment	6(31)	(420,795)	(1,095,198)
Acquisition of financial assets at fair value through other comprehensive income		(16,000)	-
Acquisition of investments accounted for using equity method	6(6)	(500,880)	-
Net cash flow from acquisition of subsidiaries		(9,253)	-
Proceeds from disposal of property, plant and equipment		2,029	1,474
(Increase) decrease in other non-current assets		(314,130)	183,970
Net cash flows used in investing activities		(1,259,029)	(909,754)
Cash Flows From Financing Activities			
(Decrease) increase in short-term loans	6(32)	(281,010)	6,056,587
Increase in short-term notes and bills payable	6(32)	7,460,000	1,470,000
Proceeds from long-term loans	6(32)	381,894	-
Repayments of long-term loans	6(32)	(55,802)	-
Proceeds from issuance of bonds payable	6(14)(32)	4,000,000	3,000,000
Increase in guarantee deposits received	6(32)	142,535	178,952
Increase in other payables	6(32) and 7	446,659	-
Repayment of principal portion of lease liabilities	6(8)(32)	(34,498)	(38,150)
Change in non-controlling interests		-	200,000
Net cash flows from financing activities		12,059,778	10,867,389
Effect of exchange rate changes		74,954	308,479
Increase in cash and cash equivalents		1,324,079	2,668,146
Cash and cash equivalents at beginning of period		2,382,775	1,058,573
Cash and cash equivalents at end of period		\$ 3,706,854	\$ 3,726,719

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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

(Reviewed, not audited)

1. HISTORY AND ORGANIZATION

Hotai Finance 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 installment sales and leases of vehicles and equipment. Hozan Investment Co., Ltd. holds 45.395% ordinary equity interest in the Company. Ho Tai Motor Co. Ltd. is the Group’s ultimate parent company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 4, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

None.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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) Hedging financial assets and liabilities.
 - (b) Financial assets at fair value through profit or loss.
 - (c) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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 unrealised 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) For the three months ended March 31, 2023, except for Hoyun International Limited, Hoyun International Leasing Co., Ltd. and Hoing Mobility Service Co., Ltd., which were evaluated and disclosed based on their reviewed financial statements, other subsidiaries included in the consolidated financial statements were evaluated and disclosed based on their unreviewed financial statements. For the three months ended March 31, 2022, except for Hoyun International Limited and Hoyun International Leasing Co., Ltd., which were evaluated and disclosed based on their reviewed financial statements, other subsidiaries included in the consolidated financial statements were evaluated and disclosed based on their unreviewed financial statements.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2023	December 31, 2022	March 31, 2022	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Leasing of light passenger vehicles	50.82	50.82	50.82	
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment sales of various vehicles	81.00	81.00	81.00	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar energy business	80.00	80.00	80.00	Note 1
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Energy storage business	100.00	100.00	-	Note 2
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Solar energy business	90.00	90.00	-	Note 3
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Solar energy business	90.00	90.00	-	Note 3
He Jun Energy Co., Ltd.	Xian Yao Energy Co., Ltd.	Solar energy business	90.00	90.00	-	Note 3
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Electricity retailing business	100.00	-	-	Note 4
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Solar energy business	100.00	-	-	Note 5
Hoyun International Limited	Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	Note 6
Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	100.00	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	100.00	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100.00	100.00	-	Note 7
Hoyun International Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	100.00	-	Note 7
Hoyun International Leasing Co., Ltd.	Homei Consulting (Suzhou) Company Limited	Advisory service	100.00	100.00	-	Note 8

Note 1: Established in February 2022.

Note 2: Acquired in September 2022.

Note 3: Acquired in October 2022.

Note 4: Established in February 2023.

Note 5: Acquired in March 2023.

Note 6: Hoyun International Lease Co., Ltd. was renamed as Hoyun International Leasing Co., Ltd. in September 2022.

Note 7: Acquired in May 2022.

Note 8: Established in June 2022.

- C. Subsidiaries not included in the consolidated financial statements: None.
D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.
E. Significant restrictions: Not applicable.
F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2023, December 31, 2022 and March 31, 2022, the non-controlling interest amounted to \$3,543,383, \$3,411,715 and \$3,122,280, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		March 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Hoyun International Limited	China	\$ 2,832,920	49.50%	\$ 2,708,554	49.50%
				Non-controlling interest March 31, 2022	
Name of subsidiary	Principal place of business			Amount	Ownership (%)
Hoyun International Limited	China			\$ 2,425,318	49.50%

Summarised financial information of the subsidiaries:

Balance sheets

	Hoyun International Limited		
	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 27,418,175	\$ 26,651,451	\$ 22,758,151
Non-current assets	3,122,384	3,029,418	2,830,114
Current liabilities	(24,420,282)	(23,836,645)	(20,268,559)
Non-current liabilities	(397,207)	(372,397)	(420,073)
Total net assets	<u>\$ 5,723,070</u>	<u>\$ 5,471,827</u>	<u>\$ 4,899,633</u>

Statements of comprehensive income

	Hoyun International Limited	
	Three months ended March 31,	
	2023	2022
Revenue	\$ 1,029,794	\$ 868,213
Profit before income tax	288,748	264,525
Income tax expense	(74,175)	(69,542)
Profit for the period	214,573	194,983
Other comprehensive income, net of tax	36,670	169,485
Total comprehensive income for the period	\$ 251,243	\$ 364,468
Comprehensive income attributable to non-controlling interest	\$ 124,366	\$ 180,411

Statements of cash flows

	Hoyun International Limited	
	Three months ended March 31,	
	2023	2022
Net cash (used in) provide by operating activities	(\$ 106,054)	\$ 189,746
Net cash used in investing activities	(145,606)	(156,929)
Net cash provided by financing activities	538,666	409,578
Effect of exchange rates on cash and cash equivalents	74,954	308,479
Increase in cash and cash equivalents	361,960	750,874
Cash and cash equivalents, beginning of period	774,647	497,336
Cash and cash equivalents, end of period	\$ 1,136,607	\$ 1,248,210

(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 dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges qualifying net investment hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities 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

The Group is engaged in installment sales, and the operating cycle usually exceeds 1 year. The Group uses 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 settle 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 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 amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(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.

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

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

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(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) Impairment of financial assets

For financial assets at amortized cost, including accounts receivable, notes receivable and lease receivables, at each reporting date, the Group recognizes the impairment provision for the lifetime expected credit losses (ECLs) after taking into consideration all reasonable and verifiable information that includes forecasts.

(11) Derecognition of financial assets

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

(12) 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 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.

(13) Investments accounted for using 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 do not arise from 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 under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised 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.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 part of an item of property, plant, and equipment with a cost 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 under 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	15 ~ 50 years
Furniture and fixtures (office equipment)	3 ~ 20 years
Transportation equipment	1 ~ 6 years
Leasehold improvements	3 ~ 10 years

(15) 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. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize any gain or loss relating to the partial or full termination of the lease in profit or loss.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 15 ~ 50 years.

(17) Impairment of non-financial assets

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. When the circumstances or reasons for recognising 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.

(18) 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.

(19) Notes and accounts payable

A. Accounts payable are liabilities for goods or services acquired from suppliers and notes payable are those 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.

(20) Derecognition of financial liabilities

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

(21) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortized to profit or loss over the period of bond circulation using the effective interest method as an adjustment to the 'finance costs'.

(22) 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.

(23) Hedge activities

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.
- B. The Group designates the hedging relationship as follows:
Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.
- C. Cash flow hedges
- (a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):
- i. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
 - ii. The cumulative change in fair value of the hedged item from inception of the hedge.
- (b) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.
- (c) The amount that has been accumulated in the cash flow hedge reserve in accordance with (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.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group'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.

D. Employees' compensation, directors' and supervisors' remuneration

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

(25) 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.

(26) Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(27) Share capital

Ordinary shares are classified as equity. The classification of preferred shares is determined according to the special rights attached to the preferred shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preferred shares are classified as liabilities when they have the fundamental characteristic of financial liabilities; otherwise, they 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.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Board of Directors. Cash dividends are recorded as liabilities.

(29) Revenue recognition

A. Sales of goods

Revenue from sales of goods comes from sales of operating assets held for rental to others. Sales are recognized when control of the products has transferred. 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. Interest income

The Company accrues interest income from installment sales. No gross profit is recognized from transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when transactions occur. 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, which interest is recognized using interest method annually over the installment period.

C. Rental revenue

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 of the leased asset. Otherwise a lease is classified as an operating lease. The lessor records the payments arising from the finance lease as 'lease receivables'.

The lessor allocates finance income in each accounting period to reflect a constant periodic rate of return during each period. Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term.

D. Service revenue

The Company has an agreement with the financial institutions in relation to providing referral services of car loans. The Company facilitates the promotion of car loans and provides services of account management while the financial institutions compensate the Company when they receive the repayments from clients. The compensation is recognized as revenue on an accrual basis monthly.

The debt is transferred from the loan borrowers to the Company once the borrowers default on loans. The Company pursues the defaulting borrowers for outstanding payments. Please refer to Note 4(22) for the information of financial guarantee contracts.

E. Electricity sales revenue

The Group operates solar power plants, generates electricity and transmits it to Taiwan Power Company through transmission lines. Sales revenue, which is measured at an agreed upon amount under the contract, is recognized when the goods are delivered, the amount can be estimated reliably, and it is probably bring in the future economic benefit.

(30) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates which may 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

Evaluation of allowance for doubtful accounts

For the Group, the impairment allowance for notes and accounts receivable is provided for based on the probability of impairment depending on the length of overdue days and considering forward-looking factors such as the future economic conditions. The provision for allowance for impairment of accounts receivable is recognized individually when the accounts receivable becomes past due and deemed unrecoverable by assessing the customer's financial status or payment history. The valuation of provision is a reasonable prediction of the past events, current conditions, and the future economic conditions. Significant changes may occur when there are differences between actual results and estimation.

The carrying amount of notes and accounts receivable (including long-term notes and accounts receivable) is \$245,666,045 as of March 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand	\$ 3,987	\$ 3,966	\$ 3,574
Checking accounts and demand deposits	2,480,831	2,356,739	2,750,753
Cash equivalents			
Time deposits	22,201	22,070	22,846
Short-term notes and bills	1,199,835	-	949,546
	<u>\$ 3,706,854</u>	<u>\$ 2,382,775</u>	<u>\$ 3,726,719</u>

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.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>

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

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 196</u>	<u>\$ -</u>

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

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

(3) Hedging financial assets and liabilities

	<u>March 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges:				
<u>Exchange rate risk and interest rate risk</u>				
Cross-currency swaps	\$ 398,909	(\$ 788,187)	\$ 504,827	(\$ 586,800)

	<u>March 31, 2022</u>	
	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges:		
<u>Exchange rate risk and interest rate risk</u>		
Cross-currency swaps	\$ 2,719	(\$ 707,700)

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Group's USD, JPY and EUR denominated loans 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	<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 rate	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</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	2020/8/5~2024/9/9	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	-

		December 31, 2022				Year ended December 31, 2022			
Hedging instruments	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	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</u>									
<u>Interest rate risk</u>									
Cross-currency swaps transactions	USD	69,050	2022/1/12~2025/1/13	\$ 162,926	\$ -	\$ -	6.33~6.55	4.108~5.30	\$ -
	JPY	58,800,000	2020/8/5~2024/9/9	182,211	(586,800)	-	0.23~0.28	0.83~2.24	-
	EUR	75,000	2022/9/12~2024/9/12	159,690	-	-	30.60	2.04	-

		March 31, 2022				Three months ended March 31, 2022			
Hedging instruments	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	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</u>									
<u>Interest rate risk</u>									
Cross-currency swaps transactions	USD	65,000	2022/1/12~2025/1/13	\$ 2,719	(\$ 12,478)	\$ -	6.33~6.38	4.11~4.19	\$ -
	JPY	33,800,000	2020/8/5~2024/9/9	-	(695,222)	-	0.25~0.28	0.83~1.08	-

		March 31, 2023	
Hedged items		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Cash flow hedges:			
<u>Exchange rate risk and interest rate risk</u>			
Long-term and short-term loans		\$ 18,485,556	(\$ 462,011)
		December 31, 2022	
Cash flow hedges:			
<u>Exchange rate risk and interest rate risk</u>			
Long-term and short-term loans		\$ 18,495,220	(\$ 282,796)

	March 31, 2022	
Hedged items	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Cash flow hedges:		
<u>Exchange rate risk and interest rate risk</u>		
Short-term loans	\$ 10,496,817	(\$ 669,513)

C. Cash flow hedges

	Three months ended March 31, 2023	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	\$	156,657
Less: Losses on hedge effectiveness-amount recognized in other comprehensive income	(108,785)
Less: Reclassified to profit or loss as the hedged item has affected the profit and loss	(19,312)
Add: Income tax relating to the hedge effectiveness- amount recognized in other comprehensive income		26,571
At March 31	\$	55,131

	Three months ended March 31, 2022	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	(\$	52,476)
Add: Gains on hedge effectiveness-amount recognized in other comprehensive income		36,835
Less: Reclassified to profit or loss as the hedged item has affected the profit and loss	(6,514)
Less: Income tax relating to the hedge effectiveness- amount recognized in other comprehensive income	(7,791)
At March 31	(\$	29,946)

To hedge exposed exchange rate risk and interest rate risk arising from loans, 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 the exchange gains (loss) on foreign currency and finance costs when the hedged items are subsequently paid the principal or interest.

(4) Notes and accounts receivable, net (including long-term notes and accounts receivable)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Installment notes receivable	\$ 9,814,863	\$ 9,279,605	\$ 8,436,162
Installment accounts receivable	246,805,876	234,175,684	190,038,180
Accounts receivable	19,851	10,136	-
Lease payments and notes receivable	<u>27,871,463</u>	<u>27,491,636</u>	<u>22,694,538</u>
	284,512,053	270,957,061	221,168,880
Less: Unrealized interest revenue	(31,247,312)	(28,830,021)	(20,989,484)
Unearned finance income	(2,675,999)	(2,685,321)	(2,183,561)
Allowance for doubtful accounts	(<u>4,922,697</u>)	(<u>4,708,884</u>)	(<u>4,064,446</u>)
Notes and accounts receivable, net	<u>\$ 245,666,045</u>	<u>\$ 234,732,835</u>	<u>\$ 193,931,389</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, notes receivable pledged as collaterals for loans and commercial papers to banks amounted to \$9,400,369, \$9,419,216 and \$4,179,081, respectively. Please refer to Note 8 for the related information.

A. The ageing analysis of accounts and notes receivable that were past due but not impaired is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Not past due	\$ 281,806,813	\$ 268,604,715	\$ 219,365,846
31 to 60 days	957,953	794,048	727,686
61 to 90 days	571,715	458,572	237,032
91 to 120 days	410,687	303,456	195,700
121 to 150 days	337,916	305,658	147,706
Over 151 days	<u>426,969</u>	<u>490,612</u>	<u>494,910</u>
	<u>\$ 284,512,053</u>	<u>\$ 270,957,061</u>	<u>\$ 221,168,880</u>

The above ageing analysis was based on past due date.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Not later than one year	\$ 84,234,173	\$ 80,152,869	\$ 67,259,385
Over 1 year	<u>172,386,566</u>	<u>163,302,420</u>	<u>131,214,957</u>
	<u>\$ 256,620,739</u>	<u>\$ 243,455,289</u>	<u>\$ 198,474,342</u>

C. Lease payments receivable

Please refer to Note 6(9).

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

(5) Prepayments

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
Prepayments	\$ 3,437,990	\$ 3,205,965	\$ 2,884,062
Prepaid commission	2,955,784	2,879,378	3,084,311
Prpaid insurance premiums	189,891	178,600	172,446
Others	656,351	622,227	598,991
	<u>\$ 7,240,016</u>	<u>\$ 6,886,170</u>	<u>\$ 6,739,810</u>

(6) Investments accounted for using equity method

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
Hotai Mobility Service Co., Ltd.	\$ 85,672	\$ 91,148	\$ 101,291
Zheng-Ren Energy Co., Ltd.	77,664	24,354	-
Gochabar Co., Ltd.	36,000	-	-
Heng Fong Energy Co., Ltd.	409,302	-	-
	<u>\$ 608,638</u>	<u>\$ 115,502</u>	<u>\$ 101,291</u>

A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amount of the Group's individually immaterial associates amounted to \$608,638, \$115,502 and \$101,291, respectively.

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Comprehensive loss for the year	<u>(\$ 7,744)</u>	<u>(\$ 1,857)</u>

B. The Group's investments have no quoted market price. The share of profit or loss of investments accounted for using the equity method amounted to (\$7,744) and (\$1,857) for the three months ended March 31, 2023 and 2022, respectively, and were recognized based on the financial statements that were not reviewed by other independent auditors.

C. In February 2023, the Group participated in a cash capital increase of Zheng-Ren Energy Co., Ltd. amounting to \$54,880 based on its 35% shareholding ratio. The shareholding ratio remained unchanged.

D. In January 2023, the Group invested in the establishment of Gochabar Co., Ltd. with an investment of \$36,000 and a shareholding ratio of 30%.

E. In January 2023, the Group participated in a cash capital increase of Heng Fong Energy Co., Ltd. amounting to \$410,000 and a shareholding ratio of 20%.

F. In July 2022, the subsidiary, He Jun Energy Co., Ltd. acquired 35% of the shareholding of Zheng-Ren Energy Co., Ltd. amounting to \$350. Also in November 2022, the Group participated in a cash capital increase of \$31,500 in proportion to its shareholding. The shareholding ratio remained unchanged. Although the Group is the single largest shareholder of Zheng-Ren Energy Co., Ltd., the combined shareholdings of the other two major shareholders (not related parties) exceed the Group's shareholdings, which indicates that the Group has no real ability to direct the relevant activities and therefore judged that it does not have control over the company and only has significant influence over it.

(7) Property, plant and equipment

2023

	2023									
	Land	Buildings and structures	Furniture and fixtures (including office equipment)			Transportation equipment			Leasehold improvements	Total
Owner-occupied			Lease (Note)	Subtotal	Owner-occupied	Lease (Note)	Subtotal			
At January 1										
Cost	\$ 947,458	\$ 267,998	\$ 691,942	\$ 438,116	\$1,130,058	\$ 142,887	\$ 7,129,629	\$ 7,272,516	\$ 110,624	\$ 9,728,654
Accumulated depreciation and impairment	-	(17,274)	(83,248)	(262,657)	(345,905)	(82,136)	(2,331,015)	(2,413,151)	(65,520)	(2,841,850)
	<u>\$ 947,458</u>	<u>\$ 250,724</u>	<u>\$ 608,694</u>	<u>\$ 175,459</u>	<u>\$ 784,153</u>	<u>\$ 60,751</u>	<u>\$ 4,798,614</u>	<u>\$ 4,859,365</u>	<u>\$ 45,104</u>	<u>\$ 6,886,804</u>
Opening net book amount as at January 1	\$ 947,458	\$ 250,724	\$ 608,694	\$ 175,459	\$ 784,153	\$ 60,751	\$ 4,798,614	\$ 4,859,365	\$ 45,104	\$ 6,886,804
Additions	-	-	31,195	16,852	48,047	8,641	306,921	315,562	5,627	369,236
Acquired from business combinations	-	-	69,789	-	69,789	-	-	-	-	69,789
Disposal	-	-	-	-	-	(1,850)	(4,069)	(5,919)	-	(5,919)
Reclassifications	-	-	-	(1,051)	(1,051)	-	(92,297)	(92,297)	-	(93,348)
Transfers from prepayments for business facilities	-	-	33,517	-	33,517	-	62,854	62,854	-	96,371
Depreciation	-	(1,650)	(11,737)	(28,833)	(40,570)	(5,889)	(264,797)	(270,686)	(4,695)	(317,601)
Gain on reversal of impairment loss	-	-	-	435	435	-	-	-	-	435
Net exchange differences	-	-	24	-	24	358	5,603	5,961	46	6,031
Closing net book amount as at March 31	<u>\$ 947,458</u>	<u>\$ 249,074</u>	<u>\$ 731,482</u>	<u>\$ 162,862</u>	<u>\$ 894,344</u>	<u>\$ 62,011</u>	<u>\$ 4,812,829</u>	<u>\$ 4,874,840</u>	<u>\$ 46,082</u>	<u>\$ 7,011,798</u>
At March 31										
Cost	\$ 947,458	\$ 267,998	\$ 834,515	\$ 401,666	\$1,236,181	\$ 151,462	\$ 7,318,822	\$ 7,470,284	\$ 117,457	\$10,039,378
Accumulated depreciation and impairment	-	(18,924)	(103,033)	(238,804)	(341,837)	(89,451)	(2,505,993)	(2,595,444)	(71,375)	(3,027,580)
	<u>\$ 947,458</u>	<u>\$ 249,074</u>	<u>\$ 731,482</u>	<u>\$ 162,862</u>	<u>\$ 894,344</u>	<u>\$ 62,011</u>	<u>\$ 4,812,829</u>	<u>\$ 4,874,840</u>	<u>\$ 46,082</u>	<u>\$ 7,011,798</u>

Note: The assets are assets for lease purposes offered by the Company and the subsidiary. When the leased assets are available to be sold instead of leasing to others, the carrying amounts are recorded as inventories. When they are sold, the payments arising from the sales and related costs are reclassified as sales revenue and cost of sales.

2022

	Furniture and fixtures									
	(including office equipment)					Transportation equipment			Leasehold improvements	Total
	Land	Buildings and structures	Owner-occupied	Lease (Note)	Subtotal	Owner-occupied	Lease (Note)	Subtotal		
At January 1										
Cost	\$ 701,309	\$ 255,265	\$ 126,582	\$ 629,360	\$ 755,942	\$ 122,724	\$ 6,295,801	\$ 6,418,525	\$ 93,903	\$ 8,224,944
Accumulated depreciation and impairment	-	(22,920)	(62,817)	(354,292)	(417,109)	(64,986)	(1,694,518)	(1,759,504)	(48,736)	(2,248,269)
	<u>\$ 701,309</u>	<u>\$ 232,345</u>	<u>\$ 63,765</u>	<u>\$ 275,068</u>	<u>\$ 338,833</u>	<u>\$ 57,738</u>	<u>\$ 4,601,283</u>	<u>\$ 4,659,021</u>	<u>\$ 45,167</u>	<u>\$ 5,976,675</u>
Opening net book amount as at										
January 1	\$ 701,309	\$ 232,345	\$ 63,765	\$ 275,068	\$ 338,833	\$ 57,738	\$ 4,601,283	\$ 4,659,021	\$ 45,167	\$ 5,976,675
Additions	477,772	60,289	70,603	35,990	106,593	4,942	445,602	450,544	-	1,095,198
Disposal	-	-	-	-	-	(613)	-	(613)	-	(613)
Reclassifications	-	-	-	(1,092)	(1,092)	-	(55,442)	(55,442)	-	(56,534)
Depreciation	-	(1,845)	(3,861)	(44,095)	(47,956)	(5,733)	(259,554)	(265,287)	(4,065)	(319,153)
Gain on reversal of impairment loss	-	-	-	363	363	-	-	-	-	363
Net exchange differences	-	-	220	-	220	2,157	37,672	39,829	260	40,309
Closing net book amount as at										
March 31	<u>\$1,179,081</u>	<u>\$ 290,789</u>	<u>\$ 130,727</u>	<u>\$ 266,234</u>	<u>\$ 396,961</u>	<u>\$ 58,491</u>	<u>\$ 4,769,561</u>	<u>\$ 4,828,052</u>	<u>\$ 41,362</u>	<u>\$ 6,736,245</u>
At March 31										
Cost	\$1,179,081	\$ 315,554	\$ 198,020	\$ 650,017	\$ 848,037	\$ 128,481	\$ 6,582,446	\$ 6,710,927	\$ 94,786	\$ 9,148,385
Accumulated depreciation and impairment	-	(24,765)	(67,293)	(383,783)	(451,076)	(69,990)	(1,812,885)	(1,882,875)	(53,424)	(2,412,140)
	<u>\$1,179,081</u>	<u>\$ 290,789</u>	<u>\$ 130,727</u>	<u>\$ 266,234</u>	<u>\$ 396,961</u>	<u>\$ 58,491</u>	<u>\$ 4,769,561</u>	<u>\$ 4,828,052</u>	<u>\$ 41,362</u>	<u>\$ 6,736,245</u>

Note: The assets are assets for lease purposes offered by the Company and the subsidiary. When the leased assets are available to be sold instead of leasing to others, the carrying amounts are recorded as inventories. When they are sold, the payments arising from the sales and related costs are reclassified as sales revenue and cost of sales.

(8) Lease transactions - lessee

- A. The Group leases various assets including buildings, equipment and parking spaces. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 36,376	\$ 25,299	\$ 353
Buildings and structures	346,727	340,974	333,933
Machinery and equipment	1,917	2,191	3,014
	<u>\$ 385,020</u>	<u>\$ 368,464</u>	<u>\$ 337,300</u>

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 353	\$ 24
Buildings and structures	32,166	38,207
Machinery and equipment	274	274
	<u>\$ 32,793</u>	<u>\$ 38,505</u>

- C. For the three months ended March 31, 2023 and 2022, the additions to right-of-use assets were \$49,998 and \$27,391, respectively.
- D. The information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,208	\$ 1,077
Expense on short-term lease contracts and leases of low-value assets	7,339	5,497
Profit from lease modification	38	4
Expense on variable lease payments	1,036	361

- E. For the three months ended March 31, 2023 and 2022, the Group's total cash outflow for leases were \$44,081 and \$45,085, respectively.

(9) Leasing arrangements - lessor

- A. The Group leases various assets including machinery and equipment, vehicles and multifunction printers. Rental contracts are typically made for periods of 1 and 6 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 and vehicles under a finance lease. Based on the terms of the lease contract, the ownership of the 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,	
	2023	2022
Finance income from the net investment in the finance lease	\$ 788,182	\$ 645,396

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

	March 31, 2023	December 31, 2022	March 31, 2022
Next 1 year	\$ 18,974,287	\$ 18,589,016	\$ 15,880,045
Next 2 years	7,000,166	7,044,578	5,629,238
Next 3 years	1,487,819	1,476,779	1,127,989
Next 4 years	238,410	175,853	17,944
Next 5 years	109,756	119,922	2,233
Next 6 years	-	7,537	-
	<u>\$ 27,810,438</u>	<u>\$ 27,413,685</u>	<u>\$ 22,657,449</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Undiscounted lease payments	\$ 27,810,438	\$ 27,413,685	\$ 22,657,449
Unearned finance income	(2,675,999)	(2,685,321)	(2,183,561)
Net investment in the lease	<u>\$ 25,134,439</u>	<u>\$ 24,728,364</u>	<u>\$ 20,473,888</u>

E. For the three months ended March 31, 2023 and 2022, the Group recognized rent income in the amounts of \$1,223,964 and \$1,053,326 respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Next 1 year	\$ 501,798	\$ 566,590	\$ 636,309
Next 2 years	167,372	188,105	313,003
Next 3 years	61,539	64,911	83,073
Next 4 years	16,447	16,625	17,770
Next 5 years	4,132	3,845	3,349
Next 6 years	1,620	-	-
	<u>\$ 752,908</u>	<u>\$ 840,076</u>	<u>\$ 1,053,504</u>

(10) Investment property

	2023		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1			
Cost	\$ 231,623	\$ 66,678	\$ 298,301
Accumulated depreciation	-	(13,535)	(13,535)
	<u>\$ 231,623</u>	<u>\$ 53,143</u>	<u>\$ 284,766</u>
At January 1	\$ 231,623	\$ 53,143	\$ 284,766
Deperication	-	(540)	(540)
At March 31	<u>\$ 231,623</u>	<u>\$ 52,603</u>	<u>\$ 284,226</u>
At March 31			
Cost	\$ 231,623	\$ 66,678	\$ 298,301
Accumulated depreciation	-	(14,075)	(14,075)
	<u>\$ 231,623</u>	<u>\$ 52,603</u>	<u>\$ 284,226</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Three months ended March 31</u>
Rental income from investment property	<u>\$ 1,812</u>
Direct operating expenses arising from the investment property that generated rental income during the year (including depreciation expense)	<u>\$ 540</u>

B. The fair value of the investment property held by the Group was \$324,528 and \$323,664 as at March 31, 2023 and December, 2022, respectively.

(11) Short-term loans

<u>Type of loans</u>	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
Bank loans			
Credit loans	\$ 52,798,122	\$ 51,385,627	\$ 51,651,812
Pledged loans	6,683,555	7,500,000	2,400,000
Mid-term syndicated loans for working capital	<u>24,041,616</u>	<u>25,047,716</u>	<u>9,083,252</u>
	<u>\$ 83,523,293</u>	<u>\$ 83,933,343</u>	<u>\$ 63,135,064</u>
Interest rates	<u>0.57%~5.36%</u>	<u>0.55%~5.59%</u>	<u>0.52%~4.75%</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the descriptions of borrowings are as follows:

- A. The Group uses cross currency swap agreement to control the exchange rate risk and interest rate risk. After the cross currency swap, the rate range of short-term loans were 0.83%~4.60%, 0.83%~4.60% and 0.52%~4.75%, respectively.
- B. The Company 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 and is revolving. The payment term is to repay the full drawn amount at the maturity date.
- C. The Company has entered into a mid-term syndicated contract for a credit line of JPY 25 billion with 9 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 12 months (from December 6, 2022 to December 6, 2023). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- D. The subsidiary, 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.
- E. The Company 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.
- F. The Company has entered into a mid-term syndicated contract for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, 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 loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn 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 500 million with 6 financial institutions including CTBC Bank 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.

H. For the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods, the Group is required to maintain specific current ratio, owner's capital ratio, interest coverage ratio, net value, net tangible assets, debt to equity ratio, equity to assets ratio, net tangible assets to assets ratio and non-performing loan ratio.

(12) Short-term notes and bill payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Commercial paper payable	\$ 112,573,400	\$ 105,113,400	\$ 98,470,000
Less: Unamortized discount	(96,157)	(126,804)	(105,633)
	<u>\$ 112,477,243</u>	<u>\$ 104,986,596</u>	<u>\$ 98,364,367</u>
Interest rates	<u>0.66%~2.02%</u>	<u>0.66%~1.99%</u>	<u>0.45%~1.19%</u>

(13) Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Dividend payable	\$ 1,861,186	\$ -	\$ -
Payable on loan financing	888,053	441,394	766,580
Wages and salaries payable	593,738	694,261	680,194
Interest payable	330,102	320,593	184,094
Commission payable	268,844	287,466	292,249
Business tax payable	141,839	235,784	98,494
Receipts under custody	57,207	54,847	45,467
Fee expenses payable	48,368	50,299	16,236
Employees' compensation payable	11,749	47,040	11,201
Others	993,783	1,033,648	927,202
	<u>\$ 5,194,869</u>	<u>\$ 3,165,332</u>	<u>\$ 3,021,717</u>

(14) Bond payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Bonds payable	<u>\$ 26,200,000</u>	<u>\$ 22,200,000</u>	<u>\$ 15,200,000</u>

Information on the Company's issuance of bonds as approved by the regulatory authority is summarized below:

- A. The Company issued \$4,000,000, 1.50% first unsecured ordinary bonds in 2023. The bonds mature 5 years from the issue date (March 28, 2023 ~ March 28, 2028) and will be redeemed in cash at face value at the maturity date.
- B. The Company issued \$7,000,000, 1.50% second secured ordinary bonds in 2022. The bonds mature 3 years from the issue date (June 6, 2022 ~ June 6, 2025) and will be redeemed in cash at face value at the maturity date.
- C. The Company issued \$3,000,000, 0.57% first secured ordinary bonds in 2022. The bonds mature 3 years from the issue date (January 13, 2022 ~ January 13, 2025) and will be redeemed in cash at face value at the maturity date.

- D. The Company issued \$3,000,000, 0.56% second unsecured ordinary bonds in 2021. The bonds mature 5 years from the issue date (July 22, 2021 ~ July 22, 2026) and will be redeemed in cash at face value at the maturity date.
- E. The Company issued \$2,200,000, 0.55% first unsecured ordinary bonds in 2021. The bonds mature 5 years from the issue date (April 15, 2021 ~ April 15, 2026) and will be redeemed in cash at face value at the maturity date.
- F. The Company issued \$7,000,000, 0.70% first unsecured ordinary bonds in 2020. The bonds mature 5 years from the issue date (April 22, 2020 ~ April 22, 2025) and will be redeemed in cash at face value at the maturity date.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	March 31, 2023	December 31, 2022	March 31, 2022
Long-term bank borrowings					
Secured borrowings (Note)	Borrowing period is from July 2019 to March 2030; interest is repayable monthly, repayment of principal	2.21% ~2.68%	\$ 508,168	\$ -	\$ -
	Borrowing period is from June 2022 to August 2029; interest is repayable monthly, repayment of principal	1.96% ~2.67%	-	115,165	-
Unsecured borrowings	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.20% ~1.31%	146,458	147,558	137,404
			654,626	262,723	137,404
Less : Long-term liabilities, current portion			(173,787)	(7,891)	-
			<u>\$ 480,839</u>	<u>\$ 254,832</u>	<u>\$ 137,404</u>

Note : For details of collateral information, please refer Note 8.

- A. The Group uses cross currency swap agreements to control the exchange rate risk and interest rate risk. After the cross currency swap, the rate range of long-term loans as of March 31, 2023 was 2.21%~5.30%.

B. As of March 31, 2023, the maturities of long-term borrowings are as follows:

<u>Duration of maturity</u>	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
Up to 1 year	\$ 173,787	\$ 7,891	\$ -
1 to 2 years	277,690	155,449	-
2 to 3 years	203,149	99,383	137,404
	<u>\$ 654,626</u>	<u>\$ 262,723</u>	<u>\$ 137,404</u>

(16) Guarantee deposits received

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
Current	\$ 4,403,589	\$ 4,275,142	\$ 3,870,319
Non-current	238,152	224,064	273,834
	<u>\$ 4,641,741</u>	<u>\$ 4,499,206</u>	<u>\$ 4,144,153</u>

It mainly refers to the guarantee deposits from vehicles and equipment leasing.

(17) Pensions

Defined contribution pension plan

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

B. The Company’s mainland China subsidiary, Hoyun International Leasing Co., Ltd., has a defined contribution plan. 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. The average contribution percentage for the three months ended March 31, 2023 and 2022 was both 15%. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2023 and 2022 were \$35,880 and \$28,057, respectively.

(18) Share capital

A. As of March 31, 2023 and 2022, the Company’s authorized capital were \$10,000,000 and \$6,000,000, respectively, consisting of 1,000,000 and 600,000 thousand shares of ordinary stock, respectively. The Company’s issued and outstanding capital stock amounted to 565,000 and 515,000 thousand shares, with par value of NT\$10 per share, respectively. All proceeds from shares issued have been collected.

B. On June 23, 2022, the Board of Directors resolved to increase the Company's capital in the amount of \$5,000,000 by issuing 50 million shares of Class A preference shares with a par value of \$10 (in dollars) per share issued at \$100 (in dollars) per share. The capital injection was approved by the FSC on August 10, 2022, and the effective date was set on September 21, 2022.

The rights and obligations of these outstanding preference shares are as follows:

- (a). Expiration date: The Company's Class A preference shares are perpetual but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preference shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends
- (b). Dividends: Dividends are calculated at 4.2% per annum, consisting of five-year IRS rate of 1.1175% on pricing effective date (August 19, 2022) and specific markup of 3.0825%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages "PYTWD01" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- (c). Dividend distribution: Dividends are distributed once per year in the form of cash. The effective date for distributing previous year's distributable dividends will be set by the Board of Directors. Dividend distributions in the issuance and redemption years are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 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 in the current year, can be distributed as dividends of Class A preference shares in first priority.
The Company has discretion in dividend distribution of Class A preference shares. The Company could choose not to distribute dividends of preferred shares, which would not lead to default if the Company has no or has insufficient current year's earnings for distribution. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not become deferred payments in future years when the Company has earnings.
- (d). Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preference shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus

- (e). Residual property distribution: The shareholders of Class A preference shares have priority over shareholders of common stocks in distributing the Company's residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preference shares issued and the issue price when distributing.
- (f). Right to vote and be elected: The shareholders of Class A preference shares have no right to vote and be elected in the shareholders' meeting of the Company but have the right to vote in the shareholders' meeting for shareholders of Class A preference shares and shareholders' meeting regarding to rights and obligations of shareholders of Class A preference shares.
- (g). Conversion to common shares: Class A preference shares could not be converted to common shares. The stockholders of Class A preference shares cannot request the Company to retire the stocks they hold.
- (h). The preemptive rights for shareholders of Class A preference shares are the same as of common shareholders when the Company increases its capital by issuing new shares.

(19) 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.

(20) 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 and preferential distribution of special shares. The appropriation of the remaining earnings, if any, shall be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends to be distributed to the shareholders shall account for at least 50% of the remaining earnings, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. The Board of Directors can distribute all or part of the distributable legal reserve, capital surplus, dividends or bonus in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and reported to the shareholders. The aforesaid requirement on obtaining resolution from the shareholders is not applicable.

- C. 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 balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. (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 Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On March 9, 2023, the Board of Directors resolved the distribution of earnings of 2022 and on June 23, 2022, the shareholders resolved the distribution of earnings for the year of 2021 as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 362,339		\$ 314,144	
Special reserve	(133,439)		81,689	
Dividend on preferred stock	58,685	\$ 1.17	-	
Cash dividend on common stock	1,802,501	3.50	2,163,002	\$ 4.20
Stock dividend on common stock	<u>515,000</u>	1.00	<u>-</u>	
	<u>\$ 2,605,086</u>		<u>\$ 2,558,835</u>	

The aforementioned distribution of earnings of 2022, as of May 4, 2023, has not yet been resolved at the shareholders' meeting.

(21) Operating revenue

	Three months ended March 31,	
	2023	2022
Revenue from contracts with customers	\$ 596,175	\$ 460,672
Other operating revenue		
Interest income	3,959,399	3,027,187
Revenue from operating leases	1,220,881	1,051,371
Revenue from finance leases	788,182	645,396
	<u>\$ 6,564,637</u>	<u>\$ 5,184,626</u>

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 geographical regions:

<u>Three months ended March 31, 2023</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 548,127	\$ 48,048	\$ 596,175
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 548,127</u>	<u>\$ 48,048</u>	<u>\$ 596,175</u>
Timing of revenue recognition			
At a point in time	\$ 477,663	\$ 48,048	\$ 525,711
Over time	70,464	-	70,464
	<u>\$ 548,127</u>	<u>\$ 48,048</u>	<u>\$ 596,175</u>
<u>Three months ended March 31, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 422,538	\$ 38,134	\$ 460,672
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 422,538</u>	<u>\$ 38,134</u>	<u>\$ 460,672</u>
Timing of revenue recognition			
At a point in time	\$ 343,849	\$ 38,134	\$ 381,983
Over time	78,689	-	78,689
	<u>\$ 422,538</u>	<u>\$ 38,134</u>	<u>\$ 460,672</u>

(22) Operating costs

	Three months ended March 31,	
	2023	2022
Interest costs	\$ 963,608	\$ 452,635
Rental costs	856,920	755,064
Cost of sales	670,851	350,820
Service costs	111,334	105,320
Other costs	14,065	1,472
	<u>\$ 2,616,778</u>	<u>\$ 1,665,311</u>

(23) Interest income

	Three months ended March 31,	
	2023	2022
Interest income from bank deposits	\$ 2,637	\$ 3,557
Interest income from short-term notes payable	572	-
Other interest income	538	24
	<u>\$ 3,747</u>	<u>\$ 3,581</u>

(24) Other income

	Three months ended March 31,	
	2023	2022
Rental income	\$ 3,083	\$ 1,955
Other income - others	56,072	85,581
	<u>\$ 59,155</u>	<u>\$ 87,536</u>

(25) Other gains and losses

	Three months ended March 31,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 196	\$ -
Foreign exchange (losses) gains	(31)	573
(Losses) gains on disposals of property, plant and equipment	(3,890)	861
Miscellaneous disbursements	(10,560)	(1,255)
	<u>(\$ 14,285)</u>	<u>\$ 179</u>

(26) Finance costs

	Three months ended March 31,	
	2023	2022
Finance expense, others	\$ 1,208	\$ 1,077

(27) Expenses by nature

	Three months ended March 31,	
	2023	2022
Employee benefit expense	\$ 781,003	\$ 659,258
Depreciation charges on right-of-use assets	\$ 32,793	\$ 38,505
Depreciation charges on property, plant and equipment	\$ 317,601	\$ 319,153
Depreciation charges on investment property	\$ 540	\$ -

(28) Employee benefit expense

	Three months ended March 31,	
	2023	2022
Wages and salaries	\$ 636,704	\$ 550,589
Labor and health insurance fees	63,675	45,932
Pension costs	35,880	28,057
Directors' and supervisors' remuneration	1,532	1,387
Other personnel expenses	43,212	33,293
	<u>\$ 781,003</u>	<u>\$ 659,258</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' remuneration. The percentage shall be 1% for employees' remuneration. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

B. For the three months ended March 31, 2023 and 2022, employees' remuneration were accrued at \$11,534 and \$10,987, respectively. The aforementioned amounts were recognized in salary expenses. The employees' remuneration was estimated and accrued based on 1% of distributable profit of current year for the three months ended March 31, 2023.

Employees' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognized in salary expenses of 2022.

Information about employees' 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.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 369,267	\$ 342,307
Total current tax	<u>369,267</u>	<u>342,307</u>
Deferred tax:		
Origination and reversal of temporary differences	(50,004)	(50,934)
Total deferred tax	<u>(50,004)</u>	<u>(50,934)</u>
Income tax expense	<u>\$ 319,263</u>	<u>\$ 291,373</u>

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

	Three months ended March 31,	
	2023	2022
Cash flow hedges	(\$ 26,571)	\$ 7,791

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

(30) Earnings per share

	Three months ended March 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 899,181		
Less: Dividend on preferred stock	(58,685)		
Profit attributable to ordinary shareholders of the parent	<u>\$ 840,496</u>	<u>515,000</u>	<u>\$ 1.63</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 840,496	515,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	397	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 840,496</u>	<u>515,397</u>	<u>\$ 1.63</u>
	Three months ended March 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 868,329	515,000	\$ 1.69
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares	\$ 868,329	515,000	
Employees' compensation	-	356	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 868,329</u>	<u>515,356</u>	<u>\$ 1.68</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Three months ended March 31,
Purchase of property, plant and equipment	\$ 369,236
Add: Opening balance of payable on equipment (Shown as 'Accounts payable')	154,579
Less: Ending balance of payable on equipment (Shown as 'Accounts payable')	(103,020)
Cash paid during the period	\$ 420,795

(32) Changes in liabilities from financing activities

	2023								
	Short-term loans	Short-term notes and bills payable	Bonds payable	Long-term loans	Guarantee deposits received	Other payables	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 83,933,343	\$ 104,986,596	\$ 22,200,000	\$ 262,723	\$ 4,499,206	\$ 441,394	\$ 370,679	\$ -	\$ 216,693,941
Changes in cash flow from financing activities	(281,010)	7,460,000	4,000,000	326,092	142,535	446,659	(34,498)	-	12,059,778
Impact of changes in foreign exchange rate	48,188	-	-	880	-	-	156	-	49,224
Others	(177,228)	30,647	-	64,931	-	-	49,161	1,861,186	1,828,697
At March 31	\$ 83,523,293	\$ 112,477,243	\$ 26,200,000	\$ 654,626	\$ 4,641,741	\$ 888,053	\$ 385,498	\$ 1,861,186	\$ 230,631,640

	2022								
	Short-term loans	Short-term notes and bills payable	Bonds payable	Long-term loans	Guarantee deposits received	Other payables	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 57,098,277	\$ 96,914,188	\$ 12,200,000	\$ 132,902	\$ 3,965,201	\$ 738,261	\$ 362,824	\$ -	\$ 171,411,653
Changes in cash flow from financing activities	6,056,587	1,470,000	3,000,000	-	178,952	-	(38,150)	-	10,667,389
Impact of changes in foreign exchange rate	137,226	-	-	4,502	-	28,319	1,573	-	171,620
Others	(157,026)	(19,821)	-	-	-	-	16,034	-	(160,813)
At March 31	\$ 63,135,064	\$ 98,364,367	\$ 15,200,000	\$ 137,404	\$ 4,144,153	\$ 766,580	\$ 342,281	\$ -	\$ 182,089,849

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Hozan Investment Co., Ltd. which holds 45.395% ordinary equity interest in the Company. Ho Tai Motor Co. Ltd. is the Company's ultimate parent company.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Ho Tai Motor Co., Ltd.	The ultimate parent
Hozan Investment Co., Ltd.	Parent
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Other related parties
Tau Miao Motor Co., Ltd. (Tau Miao)	Other related parties
Kuotu Motor Co., Ltd. (Kuotu)	Other related parties
Central Motor Co., Ltd.	Other related parties
Nan Du Motor Co., Ltd.	Other related parties

Names of related parties	Relationship with the Group
Kau Du Automobile Co., Ltd. (Kau Du)	Other related parties
Ho Yu Investment Co., Ltd. (Ho Yu)	Other related parties
Hotai Leasing Co., Ltd.	Other related parties
Toyota Material Handling Taiwan Ltd.	Other related parties
Hotong Motor Investment Co., Ltd. (Hotong)	Other related parties
Lang Yang Toyota Motor Co., Ltd.	Other related parties
Eastern Motor Co., Ltd.	Other related parties
Chang Yuan Motor Co., Ltd.	Other related parties
Horung Motors Co., Ltd.	Other related parties
Hohung Motors Co., Ltd.	Other related parties
Zhong Cheng Motor Co., Ltd.	Other related parties
Carmax Co., Ltd.	Other related parties
Ho An Insurance Agency Co., Ltd.	Other related parties
Ho Chuang Insurance Agency Co., Ltd.	Other related parties
Hotai Insurance Co., Ltd.	Other related parties
Ho Tai Development Co., Ltd.	Other related parties
Ho Tai Service & Marketing Co., Ltd.	Other related parties
Hotai Connected Co., Ltd.(Hotai Connected)	Other related parties
Smart Design Technology Co., Ltd.	Other related parties
Zhongyang Motor Co., Ltd.	Other related parties
Hotai Mobility Service Co., Ltd.	Other related parties
Quan An Transportation Co., Ltd.	Other related parties
Yu Cheng Transportation Co., Ltd.	Other related parties
Hozao Enterprise Co., Ltd.	Other related parties
Shanghai Hozhan Motor Service.co., Ltd. (Shanghai Hozhan)	Other related parties
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Shanghai Heling Motor Service Co., Ltd.(Shanghai Heling)	Other related parties
Shanghai Ho-mian Motor Technology Co., Ltd.	Other related parties
Shanghai Hoxin Motor Service Consulting Co., Ltd.	Other related parties
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Tianjin Hozhan Motor Service Co., Ltd. (Tianjin Hozhan)	Other related parties
Tianjin Heyi International Trading Co., Ltd.	Other related parties
Tianjin Ho-yu Motor Sales And Service Co., Ltd.	Other related parties
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Other related parties
Shanghai Hoyu Motor Service Co., Ltd.	Other related parties
Chongqing Takang Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Chongqing Yurun Toyota Automobile Service Co., Ltd.	Other related parties
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Nanjing HoZhan Motor Sales and Service Co., Ltd. (Nanjing HoZhan)	Other related parties
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Guangzhou Gac Changho Autotech Corporation	Other related parties
San Xing (Shanghai) Business Management Consulting Co., Ltd.	Other related parties
Triple S Digital Co., Ltd.	Other related parties

(3) Significant related party transactions and balances

A. Revenue:

(a) Compensation of installment sale price spread

	Three months ended March 31,	
	2023	2022
- The ultimate parent	\$ 27,102	\$ 66,525
- Other related parties	46,450	85,340
	<u>\$ 73,552</u>	<u>\$ 151,865</u>

The Company's compensation from specified vehicle promotion activities received from above related parties are amortized by installment.

(b) Rental assets income

	Three months ended March 31,	
	2023	2022
- The ultimate parent	\$ 327	\$ 151
- Other related parties	27,786	27,024
	<u>\$ 28,113</u>	<u>\$ 27,175</u>

(c) Sales revenue

	Three months ended March 31,	
	2023	2022
- Other related parties	\$ 12,667	\$ 9,368

B. Expenses

(a) Cost of rental sales:

	Three months ended March 31,	
	2023	2022
- The ultimate parent	\$ 99	\$ 102
- Other related parties	149,051	87,006
	<u>\$ 149,150</u>	<u>\$ 87,108</u>

(b) Commission expense:

	Three months ended March 31,	
	2023	2022
- The ultimate parent	\$ 8,787	\$ 15,369
- Other related parties	83,445	79,097
	<u>\$ 92,232</u>	<u>\$ 94,466</u>

(c) Advertisement expense

	Three months ended March 31,	
	2023	2022
- The ultimate parent	\$ 5	\$ -
- Other related parties Hotai Connected	12,262	12,112
	<u>\$ 12,267</u>	<u>\$ 12,112</u>

(d) Chattel custody service fee

	Three months ended March 31,	
	2023	2022
- Other related parties	<u>\$ 10,111</u>	<u>\$ 13,996</u>

(e) Others

	Three months ended March 31,	
	2023	2022
- The ultimate parent	\$ 505	\$ -
- Other related parties		
Kuotu	1,841,363	1,785,866
Tau Miao	1,212,277	443,396
Kau Du	1,050,136	1,355,482
Taipei Motor	890,064	1,018,324
Others	268,920	782,282
	<u>\$ 5,263,265</u>	<u>\$ 5,385,350</u>

As described in Note 4(29), installment sales of the Company are intended primarily to earn interest revenue. Sales revenue and the cost of goods sold from installment sales are presented in net amount and movable properties arising from transaction are all pledged as collateral. The credit terms to related parties were the same as those to third parties.

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

C. Receivables from (payables to) related parties:

(a) Receivables from related parties:

	March 31, 2023	December 31, 2022	March 31, 2022
- The ultimate parent	\$ 7,334	\$ 32,800	\$ 27,407
- Other related parties	41,471	52,399	94,448
	<u>\$ 48,805</u>	<u>\$ 85,199</u>	<u>\$ 121,855</u>

(b) Notes payable:

	March 31, 2023	December 31, 2022	March 31, 2022
- Other related parties	<u>\$ 34,152</u>	<u>\$ 4,759</u>	<u>\$ 8,502</u>

(c) Accounts payable:

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
- Other related parties			
Kuotu	\$ 62,055	\$ 90,248	\$ 66,160
Kau Du	36,540	37,730	41,040
Taipei Motor	24,070	29,980	39,825
Others	24,817	500	1,000
	<u>\$ 147,482</u>	<u>\$ 158,458</u>	<u>\$ 148,025</u>

(d) Other payables:

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
- The ultimate parent	\$ 10,677	\$ 875	\$ 1,828
- Other related parties	80,402	91,771	81,565
	<u>\$ 91,079</u>	<u>\$ 92,646</u>	<u>\$ 83,393</u>

(e) Prepayments:

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
- Other related parties	\$ 12,355	\$ 13,382	\$ 26,524

D. Property transactions – acquisition of furniture and fixtures and transportation equipment

(a) Lease:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
- The ultimate parent	\$ 8,273	\$ 11,585
- Other related parties		
Kuotu	95,965	77,623
Shanghai Heling	31,685	45,032
Tau Miao	30,911	55,292
Central Motor	29,801	99,490
Taipei Motor	20,561	152,245
Others	69,373	96,952
	<u>\$ 286,569</u>	<u>\$ 538,219</u>

(b) Owner-occupied:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
- Other related parties		
Tianjin Hozhan	\$ 1,104	\$ 484
Nanjing Hozhan	899	-
Shanghai Hozhan	-	1,790
	<u>\$ 2,003</u>	<u>\$ 2,274</u>

E. Lease transactions-lessee

- (a) The Group entered into lease agreements using market quotes with related parties and pays rent monthly based on the payment terms.

(b) Lease liabilities:

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
- The ultimate parent	\$ 2,851	\$ 3,798	\$ 6,627
- Other related parties			
Ho Yu	17,178	17,956	34,448
Others	383	434	779
	<u>\$ 20,412</u>	<u>\$ 22,188</u>	<u>\$ 41,854</u>

F. Loans from related parties:

Loans from related parties

Outstanding balance:

	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>
- Other related parties			
Hotong	\$ 888,053	\$ 441,394	\$ 766,580

The loans from related parties are repaid in full amount at the maturity date and carried interest at 3.2% per annum, which is shown as ‘Other payables.’

(4) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Wages, salaries and others short-term employee benefits	\$ 21,973	\$ 12,957
Post-employment benefits	188	138
	<u>\$ 22,161</u>	<u>\$ 13,095</u>

8. PLEDGED ASSETS

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

<u>Items</u>	<u>March 31, 2023</u>	<u>December 31,2022</u>	<u>March 31, 2022</u>	<u>Purpose</u>
Pledged assets (Note 1)				
- Pledged time deposits	\$ 71,646	\$ 63,246	\$ 62,944	Guarantee deposit for credit line on gasoline purchases
- Pledged savings account				Pledged to banks as collateral for short-term borrowings, commercial paper payable, acceptance bill and performance guarantee
	<u>406,401</u>	<u>392,100</u>	<u>310,264</u>	
	<u>\$ 478,047</u>	<u>\$ 455,346</u>	<u>\$ 373,208</u>	

Items	March 31, 2023	December 31, 2022	March 31, 2022	Purpose
Notes and accounts receivable, net				
- Notes receivable from installment sales	\$ 5,663,928	\$ 5,185,894	\$ 4,105,096	Pledged to banks as collateral for short-term borrowings and commercial paper payable
- Notes receivable from leases	67,007	66,561	73,985	"
- Lease payments receivable	3,669,434	4,166,761	-	"
	<u>\$ 9,400,369</u>	<u>\$ 9,419,216</u>	<u>\$ 4,179,081</u>	
Property, plant and equipment	<u>\$ 627,544</u>	<u>\$ 181,803</u>	<u>\$ -</u>	Pledged to banks as collateral for long-term borrowings
Prepayments for business facilities (Note 2)	<u>\$ 47,288</u>	<u>\$ -</u>	<u>\$ -</u>	Pledged to banks as collateral for long-term borrowings

Note 1: Shown as 'Other current financial assets' and 'Other non-current assets, others'.

Note 2: Shown as 'Other non-current assets, others'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Please refer to Note 6(9) for the operating leases agreement.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On May 4, 2023, the Company's Board of Directors resolved the following:

- (1) Intention to acquire a 35% of equity interest in Ly Hour Leasing PLC for USD 17,000 thousand.
- (2) Intention to participate in the cash capital increase for issuance of Class B preference shares with estimated fundraising upper limit of \$5,000,000.

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 in order to maintain an optimal capital structure to reduce the cost of capital and to support operations and maximize returns for shareholders.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Equity instrument mandatorily measured at fair value through profit or loss	\$ -	\$ 300,000	\$ -
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 20,028	\$ 3,519	\$ 3,809
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	\$ 3,706,854	\$ 2,382,775	\$ 3,726,719
Notes receivable	9,845,599	9,340,046	8,540,905
Accounts receivable	226,249,201	216,928,982	180,809,687
Other receivables	116,910	82,568	81,914
Guarantee deposits paid	258,510	193,955	150,073
Other financial assets	478,047	455,346	373,208
Long-term notes and accounts receivable	9,571,245	8,463,807	4,580,797
	<u>\$ 250,226,366</u>	<u>\$ 237,847,479</u>	<u>\$ 198,263,303</u>
Hedging financial assets	<u>\$ 398,909</u>	<u>\$ 504,827</u>	<u>\$ 2,719</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term loans	\$ 83,523,293	\$ 83,933,343	\$ 63,135,064
Short-term notes and bills payable	112,477,243	104,986,596	98,364,367
Notes payable	773,856	762,215	699,644
Accounts payable (including related parties)	481,412	514,386	339,453
Other payables	5,194,869	3,165,332	3,021,717
Bonds payable	26,200,000	22,200,000	15,200,000
Long-term loans (including current portion)	654,626	262,723	137,404
Guarantee deposits received	4,641,741	4,499,206	4,144,153
Financial guarantee liabilities	34,607	39,598	49,317
	<u>\$ 233,981,647</u>	<u>\$ 220,363,399</u>	<u>\$ 185,091,119</u>
Lease liabilities	<u>\$ 385,498</u>	<u>\$ 370,679</u>	<u>\$ 342,281</u>
Hedging financial liabilities	<u>\$ 788,187</u>	<u>\$ 586,800</u>	<u>\$ 707,700</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), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as cross-currency swap are used to hedge certain exchange rate risk, and variable future cash flows are transferred to fix. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by each assigned department of companies within the Group under policies approved by the Board of Directors. The 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. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the RMB. Foreign exchange rate risk arises from future commercial transactions and 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.
- iii. The Group entered into cross-currency swaps with financial institutions to hedge the exchange rate risk arising from loans, and are shown as financial assets and liabilities for hedging. Please refer to Note 6(3).
- iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies. Considering the cross-currency swap transactions the Group is engaged in, 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, 2023			December 31, 2022		
	Foreign currency amount	Exchange rate	Book value	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)	(In thousands)		(NTD)
(Foreign currency: functional currency)						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:RMB	USD	-	6.8577 \$	USD	-	6.9575 \$

	March 31, 2022		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	USD	4,800	6.3480 \$ 137,400

- v. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2023 and 2022, amounted to (\$31) and \$573, respectively.
- vi. Considering the cross-currency swap transactions the Group is engaged in, the analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	Three months ended March 31,					
	2023			2022		
	Sensitivity analysis			Sensitivity analysis		
Foreign currency Degree of variation	Effect on profit or loss	Effects on other comprehensive income	Foreign currency Degree of variation	Effect on profit or loss	Effects on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:RMB	1%	\$ -	\$ -	1%	\$ 1,374	\$ -

Cash flow and fair value Interest rate risk

- The interest rate risk of the Group is mainly from the floating rate loans with financial institutions, which exposes the Group to cash-flow interest rate risk.
- The Group uses the method of PVBP (Present Value of Basis Point) to evaluate the market risk of cross-currency swap (CCS) transactions. As the amounts, periods, contract dates, contract renewing dates, receipts / payments of interest, indices used to measure interest rate of the nominal principal of IRS and hedged liabilities are equivalent, the market risk could be offset. Thus, the Group estimates there would be no material market risk.
- The Group borrows loans with fixed interest rate. The Group entered into interest rate swap contracts for hedging fluctuated market interest rate. The cash flow risk is low.

- iv. If the borrowing interest rate had increased or decreased by 1% with all other variables held constant and considering the cross-currency swap transactions the Group is engaged in, profit after tax for the three months ended March 31, 2023 and 2022 would have increased/decreased by \$448,810 and \$10,334, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. The Group has lower significant concentrations of agreements with single clients and the Group will evaluate the financial credit status of the clients (including the borrowers who assist the banks in promoting automobile installment loans and credit loans business). Most of the Group's receivables have proper collaterals. Therefore, credit risk of receivables is low. The maximum loss to the Group is the total book value of receivables.
- ii. The Group engages in cross-currency swap transactions with the good credit standing financial institutions. Therefore, the Group expects the credit risk of the counterparties to be low.
- iii. The Group provides guarantees for bank financing to Hoyun International Leasing Co., Ltd., Hoyun (Shanghai) Commercial Factoring Co., Ltd., He Jing Co., Ltd. and He Jun Energy Co., Ltd. the subsidiaries of the Group, in accordance with the "Procedures Governing Endorsements and Guarantees". Since the Group can control these subsidiaries' credit, collaterals are not asked. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Group is the total amount of loan guarantees.
- iv. The Group entered into contracts with banks to introduce customers to avail of car mortgage loan with the banks. According to the contract signed by the Group and the banks, if any customer car loans payment is delayed, the Group is required to reimburse the unpaid balance. Upon such payment, the Group takes over the remaining creditor rights on the delinquent loan. As of March 31, 2023, December 31, 2022 and March 31, 2022, the outstanding amount of the customers' mortgaged loans with the banks were \$3,341,248, \$3,779,139 and \$4,866,389, respectively; and the amount of notes receivable received by the Group from the customers were \$63,847, \$71,213 and \$86,293, respectively. The Group 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 'Financial guarantee liabilities'.
- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
- vi. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
The default occurs if the contract payments were past due over 30 days based on the terms.

- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer 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. The Group classifies customers' installment accounts and notes receivable and lease payments and notes receivable in accordance with situation of default. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- ix. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- x. The Group used historical expense and the forward-looking information, such as forecastability of future economic environment to assess the default possibility of installment accounts and notes receivable, lease payments and notes receivable. As of March 31, 2023, December 31, 2022 and March 31, 2022, the provision matrix is as follows:

		31 to 60	61 to 90	91 to 120
	Not past due	days past due	days past due	days past due
<u>March 31,2023</u>				
Total book value	\$ 281,806,813	\$ 957,953	\$ 571,715	\$ 410,687
Loss allowance	\$ 3,015,975	\$ 404,375	\$ 420,478	\$ 349,929
		121 to 150		
		days past due	Over 150 days	Total
Total book value		\$ 337,916	\$ 426,969	\$ 284,512,053
Loss allowance		\$ 312,971	\$ 418,969	\$ 4,922,697
		31 to 60	61 to 90	91 to 120
<u>December 31,2022</u>	Not past due	days past due	days past due	days past due
Total book value	\$ 268,604,715	\$ 794,048	\$ 458,572	\$ 303,456
Loss allowance	\$ 2,989,387	\$ 349,790	\$ 352,836	\$ 255,453
		121 to 150		
		days past due	Over 150 days	Total
Total book value		\$ 305,658	\$ 490,612	\$ 270,957,061
Loss allowance		\$ 279,151	\$ 482,267	\$ 4,708,884

		31 to 60	61 to 90	91 to 120
March 31, 2022	Not past due	days past due	days past due	days past due
Total book value	\$ 219,365,846	\$ 727,686	\$ 237,032	\$ 195,700
Loss allowance	\$ 2,737,626	\$ 366,330	\$ 180,438	\$ 159,203
		121 to 150		
		days past due	Over 150 days	Total
Total book value		\$ 147,706	\$ 494,910	\$ 221,168,880
Loss allowance		\$ 133,939	\$ 486,910	\$ 4,064,446

- xi. Movements in relation to the Group applying the simplified approach to provide loss allowance for installment and lease payments accounts and notes receivable are as follows:

	2023	
	Receivables	
At January 1	\$	4,708,884
Provision for impairment		1,014,918
Write-offs	(811,219)
Effect of foreign exchange		10,114
At March 31	\$	4,922,697
	2022	
	Receivables	
At January 1	\$	3,722,206
Provision for impairment		573,784
Write-offs	(287,334)
Effect of foreign exchange		55,790
At March 31	\$	4,064,446

For the three months ended March 31, 2023 and 2022, gains on reversal of bad debts amounted to \$293,001 and \$159,526, respectively, and recognized as deduction on expected credit impairment loss.

(c) Liquidity risk

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

- ii. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group's unused credit line amounted to \$89,869,059, \$96,719,826 and \$70,999,441, 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.

		Between	
<u>March 31, 2023</u>	<u>Within 1 year</u>	<u>1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 60,511,630	\$ 12,827,928	\$ 11,358,997
Short-term notes and bills payable	97,578,471	1,784,567	14,053,251
Notes payable	773,856	-	-
Accounts payable (including related parties)	481,412	-	-
Other payables	5,196,527	-	-
Bonds payable	269,000	3,263,565	23,437,162
Lease liabilities	125,319	96,283	188,746
Long-term loans	188,706	283,581	207,359
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 188,657	\$ 599,530	\$ -
		Between	
<u>December 31, 2022</u>	<u>Within 1 year</u>	<u>1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 60,291,311	\$ 12,393,403	\$ 12,682,205
Short-term notes and bills payable	81,583,817	11,228,520	13,088,357
Notes payable	762,215	-	-
Accounts payable (including related parties)	514,386	-	-
Other payables	3,169,687	-	-
Bonds payable	209,000	209,000	22,303,427
Lease liabilities	136,408	110,838	200,248
Long-term loans	15,948	14,429	248,401
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 174,433	\$ 412,367	\$ -

<u>March 31, 2022</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 52,356,245	\$ 2,200,562	\$ 9,003,013
Short-term notes and bills payable	78,591,143	19,671,278	500,057
Notes payable	699,644	-	-
Accounts payable (including related parties)	339,453	-	-
Other payables	3,023,215	-	-
Bonds payable	104,000	104,000	15,336,331
Lease liabilities	126,313	82,597	139,501
Long-term loans	1,602	1,602	139,073
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ -	\$ 172,488	\$ 535,212

(3) Fair value information

A. The different levels that the inputs to valuation techniques are 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 beneficiary 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 fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, bonds payable, long-term loans (including current portion) and lease liabilities are approximate to their fair values.

C. 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 as at March 31, 2023, December 31, 2022 and March 31, 2022 is as follows:

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

March 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Hedging financial assets	\$ -	\$ 398,909	\$ -	\$ 398,909
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	20,028	20,028
Total	<u>\$ -</u>	<u>\$ 398,909</u>	<u>\$ 20,028</u>	<u>\$ 418,937</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 788,187</u>	<u>\$ -</u>	<u>\$ 788,187</u>
December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- beneficiary certificates	\$ 300,000	\$ -	\$ -	\$ 300,000
Hedging financial assets	-	504,827	-	504,827
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	3,519	3,519
Total	<u>\$ 300,000</u>	<u>\$ 504,827</u>	<u>\$ 3,519</u>	<u>\$ 808,346</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 586,800</u>	<u>\$ -</u>	<u>\$ 586,800</u>
March 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Hedging financial assets	\$ -	\$ 2,719	\$ -	\$ 2,719
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	3,809	3,809
Total	<u>\$ -</u>	<u>\$ 2,719</u>	<u>\$ 3,809</u>	<u>\$ 6,528</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 707,700</u>	<u>\$ -</u>	<u>\$ 707,700</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 characteristic:

Market quoted price	<u>Open-end fund</u> Net asset value
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- ii. 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, 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.
- 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.

D. For the three months ended March 31, 2023 and 2022, there was no transfer between Level 1, Level 2 and Level 3.

E. The financial department is in charge of valuation procedures for fair value measurements being categorized 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.

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

	Fair value at March 31, 2023	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative - equity instrument: Unlisted shares	\$ 20,028	Net worth method, Discounted cash flow	Net asset value, long-term net operating profit before income tax	-	The higher the net asset value and long-term net operating profit before income tax, the higher the fair value
	Fair value at December 31, 2022	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative - equity instrument: Unlisted shares	\$ 3,519	Net worth method	Net asset value	-	The higher the net asset value, the higher the fair value
	Fair value at March 31, 2022	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative - equity instrument: Unlisted shares	\$ 3,809	Net worth method	Net asset value	-	The higher the net asset value, the higher the fair value

G. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. If the inputs used to valuation models increase/decrease by 1%, there is no significant effect to other comprehensive income.

(4) The Group's current assets and liabilities within or over 12 months after the balance sheet date are as follows:

March 31,2023	Book value	Within 12 months	Over 12 months
<u>Assets</u>			
Cash and cash equivalents	\$ 3,706,854	\$ 3,706,854	\$ -
Hedging financial assets - current	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 loans	\$ 83,523,293	\$ 59,735,427	\$ 23,787,866
Short-term notes and bills payable	112,477,243	97,043,159	15,434,084
Hedging financial liabilities-current	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	-
<u>December 31,2022</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 2,382,775	\$ 2,382,775	\$ -
Hedging financial assets - current	504,827	182,211	322,616
Accounts and notes receivable, net	226,269,028	83,368,938	142,900,090
Other receivables	82,568	82,568	-
Inventories	5,979	5,979	-
Prepayments	6,886,170	5,285,964	1,600,206
Other current financial assets	373,119	373,119	-

December 31,2022	Book value	Within 12 months	Over 12 months
<u>Liabilities</u>			
Short-term loans	\$ 83,933,343	\$ 59,400,123	\$ 24,533,220
Short-term notes and bills payable	104,986,596	81,058,607	23,927,989
Hedging financial liabilities-current	586,800	174,433	412,367
Notes payable	762,215	762,215	-
Accounts payable (including related parties)	514,386	514,386	-
Other payables	3,165,332	3,165,332	-
Current income tax liabilities	724,843	724,843	-
Lease liabilities-current	114,848	114,848	-
Bonds payable	22,200,000	-	22,200,000
Financial guarantee liabilities-current	39,598	39,598	-
Guarantee deposits received-current	4,275,142	1,752,265	2,522,877
Other current liabilities, others	65,667	65,667	-
		Within	Over
March 31,2022	Book value	12 months	12 months
<u>Assets</u>			
Cash and cash equivalents	\$ 3,726,719	\$ 3,726,719	\$ -
Hedging financial assets - current	2,719	-	2,719
Accounts and notes receivable, net	189,350,592	70,836,100	118,514,492
Other receivables	81,914	81,914	-
Inventories	3,133	3,133	-
Prepayments	6,739,810	4,294,731	2,445,079
Other current financial assets	359,000	359,000	-
<u>Liabilities</u>			
Short-term loans	\$ 63,135,064	\$ 52,089,177	\$ 11,045,887
Short-term notes and bills payable	98,364,367	78,283,743	20,080,624
Hedging financial liabilities-current	707,700	-	707,700
Notes payable	699,644	699,644	-
Accounts payable (including related parties)	339,453	339,453	-
Other payables	3,021,717	3,021,717	-
Current income tax liabilities	789,464	789,464	-
Lease liabilities-current	123,515	123,515	-
Bonds payable	15,200,000	-	15,200,000
Financial guarantee liabilities-current	49,317	49,317	-
Guarantee deposits received-current	3,870,319	1,615,093	2,255,226
Other current liabilities, others	70,467	70,467	-

13. SUPPLEMENTARY DISCLOSURES

The information of significant transactions for the three months ended March 31, 2023, is 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 NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods:

As of March 31, 2023, derivative financial instruments that are not yet matured are as follows:

Name of company holding the derivative financial instrument	Derivative financial Instrument	Contract amount (In thousands)	Expiry date	Book value	Fair value
Hotai Finance Co., Ltd.	Cross-currency swap	JPY 58,800,000	2023/8/7~ 2024/9/9	(\$ 711,803)	(\$ 711,803)
Hotai Finance Co., Ltd.	Cross-currency swap	EUR 75,000	2024/9/12	\$ 183,877	\$ 183,877
Hoyun International Leasing Co., Ltd.	Cross-currency swap	USD 63,500	2024/8/30~ 2025/1/13	\$ 135,477	\$ 135,477
Hoyun(Shanghai) Commercial Factoring	Cross-currency swap	USD 4,800	2024/10/18	\$ 3,171	\$ 3,171

- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies: Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
- Amount and percentage of purchase and its balance percentage of the payables: None.
 - Amount and percentage of sales and its balance percentage of the payables: None.
 - Property transaction amount and profit or loss arises from: None.
 - Ending balance and purpose of notes endorsed, guaranteed or pledged as collateral: Please refer to table 2.
 - Maximum balance, ending balance, interest rate range and total interest of financing during the period: Please refer to table 1.
 - Other transactions having significant to profit or loss or financial status, i.e. services rendering or receiving: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

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 Group considers the business from geographical perspective, and the reportable operating segments are as follows:

A. Taiwan: installment sales and leasing of various vehicles and equipment.

B. China: leasing of various vehicles and equipment.

(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 Group's operating segment profit (loss) and performance of the operating segments.

(3) Segment Information.

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Items	Three months ended March 31, 2023			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 4,419,371	\$ 17,447	\$ -	\$ 4,436,818
Revenue from rental business	1,099,551	1,012,347	-	2,111,898
Revenue from other business	15,921	-	-	15,921
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 5,534,843</u>	<u>\$ 1,029,794</u>	<u>\$ -</u>	<u>\$ 6,564,637</u>
Segment income	<u>\$ 1,151,570</u>	<u>\$ 288,748</u>	<u>(\$ 108,359)</u>	<u>\$ 1,331,959</u>
Segment assets	<u>\$ 240,919,390</u>	<u>\$ 30,540,559</u>	<u>(\$ 2,890,778)</u>	<u>\$ 268,569,171</u>

Items	Three months ended March 31, 2022			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 3,422,422	\$ 10,032	\$ -	\$ 3,432,454
Revenue from rental business	891,671	858,181	-	1,749,852
Revenue from other business	2,320	-	-	2,320
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 4,316,413</u>	<u>\$ 868,213</u>	<u>\$ -</u>	<u>\$ 5,184,626</u>
Segment income	<u>\$ 1,093,614</u>	<u>\$ 264,525</u>	<u>(\$ 98,467)</u>	<u>\$ 1,259,672</u>
Segment assets	<u>\$ 190,997,731</u>	<u>\$ 25,588,265</u>	<u>(\$ 2,474,942)</u>	<u>\$ 214,111,054</u>

(4) Reconciliation for segment income (loss)

- A. The Group'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 amounts provided to the Chief Operating Decision-Maker with respect to total assets are measured in a manner consistent with that of the financial statements.

Hotai Finance Co., Ltd.
Loans to others
Three months ended March 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2023	Balance at March 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
												Item	Value				
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	1.599%	Short-term financing	\$ -	Operational needs	\$ -	None	\$ -	\$ 2,843,204	\$ 5,686,407	Note 1
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Other receivables	Y	2,000,000	2,000,000	-	1.599%	Short-term financing	-	Operational needs	-	None	-	2,843,204	5,686,407	Note 1
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Other receivables	Y	222,317	222,013	-	4.10%	Short-term financing	-	Operational needs	-	None	-	5,190,239	10,380,478	Note 2
2	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Other receivables	Y	30,000	30,000	30,000	2.32%	Short-term financing	-	Operational needs	-	None	-	97,123	194,245	Note3
2	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Other receivables	Y	40,000	40,000	40,000	2.32%	Short-term financing	-	Operational needs	-	None	-	97,123	194,245	Note3
2	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Other receivables	Y	30,000	30,000	30,000	2.32%	Short-term financing	-	Operational needs	-	None	-	97,123	194,245	Note3
3	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	20,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	29,205	92,725	185,451	Note4
3	He Jing Co., Ltd.	B	Accounts receivable	N	30,000	30,000	29,215	5.00%	Short-term financing	-	Operational needs	-	Stock	36,000	92,725	185,451	Note4

Note 1: For the short-term financing granted by the creditor (Hotai Finance Co., Ltd.) to the borrower (He Jing Co., Ltd. and He Jun Energy Co., Ltd.) for working capital needs, ceiling on total loans granted is 20% of net worth and limit on loans granted to a single party is 10% of net worth as prescribed in the Hotai Finance Co., Ltd.'s "Procedures for Provision of Loans".

Note 2: 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 3: For the short-term financing granted by the creditor (He Jun Energy Co., Ltd.) to the borrower (Chaoyang Energy Co., Ltd., Guang Yang Energy Co., Ltd. and XianYao Energy Co., Ltd.) for working capital needs, ceiling on total loans granted is 20% of net worth granted and limit on loans granted to a single party is 10% of net worth .

Note 4: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower (A and B) for working capital needs, ceiling on total loans granted is 20% of net worth and limit on loans granted to a single party is 10% of net worth.

Hotai Finance Co., Ltd.
Provision of endorsements and guarantees to others
Three months ended March 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2023	Outstanding endorsement/ guarantee amount at March 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor	Company name											
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Subsidiary	\$ 28,432,035	\$ 10,500,000	\$ 10,500,000	\$ 8,650,000	\$ -	36.93%	\$ 28,432,035	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	28,432,035	2,000,000	2,000,000	150,000	-	7.03%	28,432,035	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Subsidiary of a subsidiary	28,432,035	2,223,168	2,220,132	742,581	-	7.81%	28,432,035	Y	N	Y	Note 2
0	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary of a subsidiary	28,432,035	507,471	507,471	316,505	-	1.78%	28,432,035	Y	N	Y	Note 2

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: Ceiling on total endorsements is 100% of the total shareholders' equity. Limit on endorsement/guarantee to a single party is 100% of the total shareholders' equity. The net assets are based on the latest audited or reviewed financial statements.

Hotai Finance Co., Ltd.

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

March 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	\$ 3,922	0.50%	\$ 3,922	
Hotai Finance Co., Ltd.	Ho Chuang Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	102	0.50%	102	
He Jun Energy Co., Ltd.	Perpetual New Energy Co., Ltd.	None	Investments in equity instruments designated at fair value through other comprehensive income -non-current	1,600,000	16,004	8.00%	16,004	

Hotai Finance 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, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Additions		Disposal			Balance as at March 31, 2023		Footnote			
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount		
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Investments accounted for using the equity method	Heng Fong Energy Co., Ltd.	Associate	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	-	\$ -	-	Note
Hotai Finance Co., Ltd.	Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	48,288,184	800,000	48,288,184	800,053	800,000	53	-	-	-	-	
Hotai Finance Co., Ltd.	Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	24,074,776	400,000	24,074,776	400,024	400,000	24	-	-	-	-	
Hotai Finance Co., Ltd.	Yuanta De- Bao Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	44,952,636	550,000	44,952,636	550,031	550,000	31	-	-	-	-	
Hotai Finance Co., Ltd.	Yuanta Wan Tai Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	19,465,225	300,000	19,465,225	300,018	300,000	18	-	-	-	-	
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	21,794,089	300,000	-	-	21,794,089	300,041	300,000	41	-	-	-	-	

Note: Please refer to table 6 for relevant information.

Hotai Finance Co., Ltd.
Significant inter-company transactions during the reporting periods
Three months ended March 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%
1	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	3	Other receivables	40,000	Note 5	0.01%
1	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to 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.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Result of receivable on loan financing.

Hotai Finance Co., Ltd.
Information on investees
Three months ended March 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss) of the investee for the three months ended March 31, 2023	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	\$ 1,230,180	\$ 1,230,180	40,400,000	50.50	\$ 2,890,778	\$ 214,573	\$ 108,359	Subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of passenger car	310,000	310,000	31,000,000	50.82	352,265	18,953	9,632	Subsidiary
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Taiwan	Installment sales of various vehicles	810,000	810,000	81,000,000	81.00	754,233	3,899	3,158	Subsidiary
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar energy business	800,000	800,000	80,000,000	80.00	766,383	(13,251)	(10,601)	Subsidiary
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taiwan	Taxi dispatch service	120,000	120,000	12,000,000	27.40	85,672	(19,988)	(5,476)	Associate
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Taiwan	Energy storage business	22,000	22,000	2,200,000	100.00	21,342	(197)	(197)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Zheng-Ren Energy Co., Ltd.	Taiwan	Solar energy business	86,730	31,850	8,673,000	35.00	77,664	(4,486)	(1,570)	Associate
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Taiwan	Solar energy business	9,781	9,781	900,000	90.00	9,120	(561)	(505)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar energy business	116	116	9,000	90.00	265	176	159	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Taiwan	Solar energy business	1,066	1,066	9,000	90.00	66	(723)	(651)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Gochabar Co., Ltd.	Taiwan	Charging system technical service	36,000	-	3,600,000	30.00	36,000	-	-	Associate
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Taiwan	Energy storage business	410,000	-	41,000,000	20.00	409,302	(3,490)	(698)	Associate
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Taiwan	Solar energy business	42,227	-	4,000,000	100.00	41,658	(569)	(569)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Taiwan	Electricity retailing business	1,000	-	100,000	100.00	1,000	-	-	Subsidiary of a subsidiary

Hotai Finance Co., Ltd.
Information on investments in Mainland China
Three months ended March 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2023			Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee as of March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Book value of investments in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Remitted to Mainland China	Remitted back to Taiwan							
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	\$ 2,436,000	Note 1(2)	\$ 1,230,180	\$ -	\$ -	\$ 1,230,180	\$ 214,573	50.50	\$ 108,359	\$ 2,890,778	\$ -	Note 2(2) B.
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	222,013	Note 1(3)	-	-	-	-	7,573	50.50	3,825	140,885	-	Note 2(2) C.
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	666,040	Note 1(3)	-	-	-	-	10,598	50.50	5,352	300,575	-	Note 2(2) C.
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	444	Note 1(3)	-	-	-	(5)	(5)	50.50	(2)	3,283	-	Note 2(2) C.
Hangzhou Wangyou Technology Co., Ltd.	Leasing business	444	Note 1(3)	-	-	-	(1)	(1)	50.50	-	953	-	Note 2(2) C.
Homei Consulting (Suzhou) Company Limited	Consulting service	444	Note 1(3)	-	-	-	(2)	(2)	50.50	(1)	223	-	Note 2(2) C.

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Investment in Mainland China companies through an existing company established in Mainland China.

Note 2: In the 'Investment income (loss) recognised by the Company for the three months ended March 31, 2023' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B.The financial statements that are reviewed and attested by R.O.C. parent company's CPA.
 - C.Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Hotai Finance Co., Ltd.	\$ 1,230,180	\$ 1,231,434	\$ 19,185,251

Hotai Finance Co., Ltd.
Major shareholders information
March 31, 2023

Table 8

Name of major shareholders	Shares	
	Number of shares held(Note)	Ownership (%) (Note)
Hozan Investment Co.,Ltd.	233,782,831	45.39
Toyota Financial Service Corporation	118,249,872	22.96

Note: Excluding preferred stock