

**HOTAI FINANCE CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
JUNE 30, 2023 AND 2022**

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REVIEW REPORT  
JUNE 30, 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 June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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\$4,362,474 thousand and NT\$11,893,374 thousand, constituting 1.55% and 5.34% of the consolidated total assets as at

June 30, 2023 and 2022, respectively, total liabilities amounted to NT\$1,860,543 thousand and NT\$8,387,639 thousand, constituting 0.75% and 4.25% of the consolidated total liabilities as at June 30, 2023 and 2022, respectively, and the total comprehensive loss amounted to (NT\$3,397) thousand, (NT\$49,777) thousand, (NT\$4,068) thousand and (NT\$49,721) thousand, constituting (0.45%), (4.59%), (0.24%) and (2.21%) of the consolidated total comprehensive income for three months and six months then ended, respectively.

### ***Qualified conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries 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 June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with 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.

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Hsiao, Chun-Yuan

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Lin, Chia-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 3, 2023

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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**  
**JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 2,123,469	1	\$ 2,382,775	1	\$ 1,663,500	1
1110	Financial assets at fair value	6(2)						
	through profit or loss-current		-	-	300,000	-	-	-
1139	Hedging financial assets-	6(3)						
	current		477,300	-	504,827	-	80,271	-
1150	Notes receivable, net	6(4) and 8	10,721,561	4	9,340,046	4	8,393,885	4
1170	Accounts receivable, net	6(4), 7 and 8	237,938,995	85	216,928,982	85	190,570,693	85
1200	Other receivables	7	99,187	-	82,568	-	55,594	-
130X	Inventories		4,621	-	5,979	-	4,518	-
1410	Prepayments	6(5) and 7	7,158,811	2	6,886,170	3	7,027,472	3
1476	Other current financial assets	8	471,262	-	373,119	-	549,374	-
11XX	<b>Current Assets</b>		<u>258,995,206</u>	<u>92</u>	<u>236,804,466</u>	<u>93</u>	<u>208,345,307</u>	<u>93</u>
<b>Non-current assets</b>								
1517	Financial assets at fair value							
	through other comprehensive							
	income-non-current		20,334	-	3,519	-	4,048	-
1550	Investments accounted for	6(6)						
	using equity method		601,292	-	115,502	-	97,581	-
1600	Property, plant and equipment,	6(7)						
	net		7,467,564	3	6,886,804	3	6,411,565	3
1755	Right-of-use assets	6(8)	453,717	-	368,464	-	323,826	-
1760	Investment property, net	6(10)	283,686	-	284,766	-	285,845	-
1840	Deferred income tax assets		917,891	-	826,857	-	761,525	-
1930	Long-term notes and accounts	6(4)						
	receivable		10,788,870	4	8,463,807	3	5,294,324	3
1990	Other non-current assets,	8						
	others		1,785,047	1	1,610,903	1	1,398,903	1
15XX	<b>Non-current assets</b>		<u>22,318,401</u>	<u>8</u>	<u>18,560,622</u>	<u>7</u>	<u>14,577,617</u>	<u>7</u>
1XXX	<b>Total assets</b>		<u>\$ 281,313,607</u>	<u>100</u>	<u>\$ 255,365,088</u>	<u>100</u>	<u>\$ 222,922,924</u>	<u>100</u>

(Continued)

**HOTAI FINANCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
<b>Liabilities</b>								
<b>Current liabilities</b>								
2100	Short-term loans	6(11)	\$ 95,088,969	34	\$ 83,933,343	33	\$ 74,959,636	34
2110	Short-term notes and bills payable	6(12)	112,141,113	40	104,986,596	41	87,536,469	39
2126	Hedging financial liabilities-current	6(3)	1,572,024	1	586,800	-	1,102,458	1
2150	Notes payable	7	889,419	-	762,215	1	720,197	-
2170	Accounts payable		526,696	-	355,928	-	195,415	-
2180	Accounts payable - related parties	7	220,898	-	158,458	-	139,948	-
2200	Other payables	7	5,000,500	2	3,165,332	1	4,837,270	2
2230	Current income tax liabilities		705,834	-	724,843	-	600,002	-
2280	Current lease liabilities	7	141,171	-	114,848	-	112,654	-
2320	Bonds payable	6(13)	26,200,000	9	22,200,000	9	22,200,000	10
2320	Long-term liabilities, current portion	6(14)	282,819	-	7,891	-	-	-
2370	Current financial guarantee liabilities		33,251	-	39,598	-	47,553	-
2399	Guarantee deposits received-current	6(15)	4,317,175	2	4,275,142	2	3,703,681	2
2399	Other current liabilities, others		50,761	-	65,667	-	59,120	-
21XX	<b>Total current liabilities</b>		<u>247,170,630</u>	<u>88</u>	<u>221,376,661</u>	<u>87</u>	<u>196,214,403</u>	<u>88</u>
<b>Non-current liabilities</b>								
2540	Long-term loans	6(14)	393,539	-	254,832	-	143,040	-
2570	Deferred income tax liabilities		316,045	-	360,686	-	307,367	-
2580	Lease liabilities-non-current	7	313,023	-	255,831	-	214,517	-
2645	Guarantee deposits received-non-current	6(15)	242,220	-	224,064	-	259,021	-
25XX	<b>Total non-current liabilities</b>		<u>1,264,827</u>	<u>-</u>	<u>1,095,413</u>	<u>-</u>	<u>923,945</u>	<u>-</u>
2XXX	<b>Total Liabilities</b>		<u>248,435,457</u>	<u>88</u>	<u>222,472,074</u>	<u>87</u>	<u>197,138,348</u>	<u>88</u>
<b>Equity</b>								
<b>Share capital</b>								
3110	Common stock	6(17)	5,150,004	2	5,150,004	2	5,150,004	2
3120	Preference stock		500,000	-	500,000	-	-	-
3150	Stock dividend to be distributed		515,000	-	-	-	-	-
<b>Capital surplus</b>								
3200	Capital surplus	6(18)	12,510,367	5	12,510,367	5	8,000,217	4
<b>Retained earnings</b>								
3310	Legal reserve	6(19)	2,445,870	1	2,083,531	1	2,083,531	1
3320	Special reserve		23,732	-	157,171	-	157,171	-
3350	Unappropriated earnings		8,162,841	3	8,981,897	4	7,145,677	3
<b>Other equity interest</b>								
3400	Other equity interest		(93,382)	-	98,329	-	72,780	-
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>29,214,432</u>	<u>11</u>	<u>29,481,299</u>	<u>12</u>	<u>22,609,380</u>	<u>10</u>
36XX	Non-controlling interest		3,663,718	1	3,411,715	1	3,175,196	2
3XXX	<b>Total equity</b>		<u>32,878,150</u>	<u>12</u>	<u>32,893,014</u>	<u>13</u>	<u>25,784,576</u>	<u>12</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>								
<b>Significant event after the balance sheet date</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 281,313,607</u>	<u>100</u>	<u>\$ 255,365,088</u>	<u>100</u>	<u>\$ 222,922,924</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 AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Three months ended June 30,				Six months ended June 30,				
		2023		2022		2023		2022		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue	6(20) and 7	\$ 6,920,367	100	\$ 5,462,843	100	\$ 13,485,004	100	\$ 10,647,469	100
5000	Operating costs	6(21) and 7	( 2,892,950)	( 42)	( 1,923,096)	( 35)	( 5,509,728)	( 41)	( 3,588,407)	( 33)
5900	Gross profit		4,027,417	58	3,539,747	65	7,975,276	59	7,059,062	67
	Operating expenses	6(26)(27) and 7								
6100	Selling expenses		( 1,461,620)	( 21)	( 1,582,649)	( 29)	( 2,921,202)	( 22)	( 3,148,246)	( 29)
6200	General and administrative expenses		( 540,853)	( 8)	( 453,345)	( 9)	( 1,014,919)	( 7)	( 821,495)	( 8)
6450	Expected credit losses		( 754,135)	( 11)	( 287,153)	( 5)	( 1,476,052)	( 11)	( 701,411)	( 7)
6000	Total operating expenses		( 2,756,608)	( 40)	( 2,323,147)	( 43)	( 5,412,173)	( 40)	( 4,671,152)	( 44)
6900	Operating profit		1,270,809	18	1,216,600	22	2,563,103	19	2,387,910	23
	Non-operating income and expenses									
7100	Interest income	6(22)	7,171	-	4,883	-	10,918	-	8,464	-
7010	Other income	6(23)	76,891	1	158,558	3	136,046	1	246,094	2
7020	Other gains and losses	6(24)	( 10,096)	-	( 8,380)	-	( 24,381)	-	( 8,201)	-
7050	Finance costs	6(25)	( 1,516)	-	( 961)	-	( 2,724)	-	( 2,038)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	( 7,346)	-	( 3,710)	-	( 15,090)	-	( 5,567)	-
7000	Total non-operating income and expenses		65,104	1	150,390	3	104,769	1	238,752	2
7900	<b>Profit before income tax</b>		1,335,913	19	1,366,990	25	2,667,872	20	2,626,662	25
7950	Income tax expense	6(28)	( 391,160)	( 5)	( 347,839)	( 6)	( 710,423)	( 5)	( 639,212)	( 6)
8200	<b>Profit for the period</b>		\$ 944,753	14	\$ 1,019,151	19	\$ 1,957,449	15	\$ 1,987,450	19

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**HOTAI FINANCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Three months ended June 30,				Six months ended June 30,			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
<b>Other comprehensive income (loss) for the period</b>									
<b>Components of other comprehensive income that may not be reclassified to profit or loss</b>									
8316		\$ 306	-	\$ 239	-	\$ 815	-	\$ 691	-
8310		306	-	239	-	815	-	691	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>									
8361		( 177,077)	( 3)	( 75,609)	( 1)	( 145,166)	( 1)	102,509	1
8368	6(3)	( 19,397)	-	180,934	3	( 147,494)	( 1)	211,255	2
8399	6(28)	3,756	-	( 40,215)	( 1)	30,327	-	( 48,006)	( 1)
8360		( 192,718)	( 3)	65,110	1	( 262,333)	( 2)	265,758	2
8300		<u>(\$ 192,412)</u>	<u>( 3)</u>	<u>\$ 65,349</u>	<u>1</u>	<u>(\$ 261,518)</u>	<u>( 2)</u>	<u>\$ 266,449</u>	<u>2</u>
8500		<u>\$ 752,341</u>	<u>11</u>	<u>\$ 1,084,500</u>	<u>20</u>	<u>\$ 1,695,931</u>	<u>13</u>	<u>\$ 2,253,899</u>	<u>21</u>
Profit attributable to:									
8610		\$ 886,849	13	\$ 918,838	17	\$ 1,786,030	13	\$ 1,787,167	17
8620		57,904	1	100,313	2	171,419	2	200,283	2
		<u>\$ 944,753</u>	<u>14</u>	<u>\$ 1,019,151</u>	<u>19</u>	<u>\$ 1,957,449</u>	<u>15</u>	<u>\$ 1,987,450</u>	<u>19</u>
Comprehensive income attributable to:									
8710		\$ 782,397	11	\$ 1,031,584	19	\$ 1,594,319	12	\$ 2,017,118	19
8720		( 30,056)	-	52,916	1	101,612	1	236,781	2
		<u>\$ 752,341</u>	<u>11</u>	<u>\$ 1,084,500</u>	<u>20</u>	<u>\$ 1,695,931</u>	<u>13</u>	<u>\$ 2,253,899</u>	<u>21</u>
Earnings per share (in dollars)									
9750	6(29)		1.57		1.62		3.05		3.15
9850			1.57		1.62		3.05		3.15

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
SIX MONTHS ENDED JUNE 30, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent												Non-controlling interest	Total equity
	Share capital			Retained earnings				Other equity interest				Total		
	Common stock	Preference share	Stock dividend to be distributed	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				
Notes														
<b>Six months ended June 30, 2022</b>														
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	-	-	-	-	-	-	1,787,167	-	-	-	1,787,167	200,283	1,987,450	
Other comprehensive income for the period	-	-	-	-	-	-	-	51,767	691	177,493	229,951	36,498	266,449	
Total comprehensive income for the period	-	-	-	-	-	-	1,787,167	51,767	691	177,493	2,017,118	236,781	2,253,899	
Appropriation and distribution of retained earnings														
Legal reserve	6(19)	-	-	-	314,144	-	( 314,144)	-	-	-	-	-	-	
Special reserve	6(19)	-	-	-	-	81,689	( 81,689)	-	-	-	-	-	-	
Cash dividend on common stock	6(19)	-	-	-	-	-	( 2,163,002)	-	-	-	( 2,163,002)	-	( 2,163,002)	
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	200,000	200,000	
Balance at June 30, 2022	<u>\$ 5,150,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000,217</u>	<u>\$ 2,083,531</u>	<u>\$ 157,171</u>	<u>\$ 7,145,677</u>	<u>(\$ 55,922)</u>	<u>\$ 3,685</u>	<u>\$ 125,017</u>	<u>\$ 22,609,380</u>	<u>\$ 3,175,196</u>	<u>\$ 25,784,576</u>	
<b>Six months ended June 30, 2023</b>														
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	-	-	-	-	-	-	1,786,030	-	-	-	1,786,030	171,419	1,957,449	
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	( 73,309)	815	( 119,217)	( 191,711)	( 69,807)	( 261,518)	
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,786,030	( 73,309)	815	( 119,217)	1,594,319	101,612	1,695,931	
Appropriation and distribution of retained earnings														
Legal reserve	6(19)	-	-	-	362,339	-	( 362,339)	-	-	-	-	-	-	
Special reserve reversed	6(19)	-	-	-	-	( 133,439)	133,439	-	-	-	-	-	-	
Dividend on preferred stock	6(19)	-	-	-	-	-	( 58,685)	-	-	-	( 58,685)	-	( 58,685)	
Cash dividend on common stock	6(19)	-	-	-	-	-	( 1,802,501)	-	-	-	( 1,802,501)	( 229,609)	( 2,032,110)	
Stock dividend on common stock	6(19)	-	-	515,000	-	-	( 515,000)	-	-	-	-	-	-	
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	380,000	380,000	
Balance at June 30, 2023	<u>\$ 5,150,004</u>	<u>\$ 500,000</u>	<u>\$ 515,000</u>	<u>\$ 12,510,367</u>	<u>\$ 2,445,870</u>	<u>\$ 23,732</u>	<u>\$ 8,162,841</u>	<u>(\$ 144,592)</u>	<u>\$ 3,971</u>	<u>\$ 47,239</u>	<u>\$ 29,214,432</u>	<u>\$ 3,663,718</u>	<u>\$ 32,878,150</u>	

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Six months ended June 30,	
		2023	2022
<b>Cash Flows From Operating Activities</b>			
Profit before tax		\$ 2,667,872	\$ 2,626,662
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		1,972,809	1,080,334
Depreciation	6(26)	711,051	719,723
Reversal of impairment loss recognized on leased assets	6(7)	( 1,892 )	( 1,551 )
Gains on financial assets at fair value through profit or loss	6(2)(24)	( 196 )	( 322 )
Net losses (gains) on disposals of property, plant and equipment	6(24)	3,804	( 907 )
Interest expense	6(21)(25)	2,034,724	999,373
Interest income	6(20)(22)	( 9,793,704 )	( 7,621,950 )
Dividend income		( 900 )	( 911 )
Profit from lease modification	6(8)	( 38 )	( 758 )
Share of profit or loss of associates accounted for using equity method	6(6)	15,090	5,567
Exchange gain		-	3,811
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	322
Notes and accounts receivable		( 26,686,513 )	( 20,630,185 )
Other receivables		( 11,222 )	18,659
Inventories		270,500	154,849
Prepayments		( 270,048 )	( 397,601 )
Other financial assets		( 116,570 )	( 105,249 )
Net changes in liabilities relating to operating activities			
Notes and accounts payable		279,108	56,643
Other payables		( 354,140 )	( 2,750 )
Current financial guarantee liabilities		( 6,347 )	( 6,154 )
Other current liabilities, others		( 14,906 )	( 2,173 )
Cash outflow generated from operations		( 29,001,322 )	( 23,104,568 )
Cash dividends received		900	911
Interest received		9,788,311	7,616,991
Interest paid		( 2,156,536 )	( 1,005,878 )
Income tax paid		( 834,780 )	( 582,833 )
Net cash flows used in operating activities		( 22,203,427 )	( 17,075,377 )
<b>Cash Flows From Investing Activities</b>			
Acquisition of property, plant and equipment	6(30)	( 1,200,814 )	( 1,498,657 )
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 )	( 7,504 )
Proceeds from disposal of property, plant and equipment		4,009	1,835
(Increase) decrease in other non-current assets		( 326,335 )	114,065
Net cash flows used in investing activities		( 2,049,273 )	( 1,390,261 )
<b>Cash Flows From Financing Activities</b>			
Increase in short-term loans	6(31)	12,196,298	18,457,039
Increase (decrease) in short-term notes and bills payable	6(31)	7,185,000	( 9,360,000 )
Proceeds from long-term loans	6(31)	405,767	-
Repayments of long-term loans	6(31)	( 60,325 )	-
Proceeds from issuance of bonds payable	6(13)(31)	4,000,000	10,000,000
Increase (decrease) in guarantee deposits received	6(31)	60,189	( 2,499 )
Increase (decrease) in other payables	6(31) and 7	416,871	( 294,242 )
Repayment of principal portion of lease liabilities	6(31)	( 69,363 )	( 75,382 )
Cash dividends distributed by subsidiaries to non-controlling interests		( 229,500 )	-
Change in non-controlling interest		380,000	200,000
Net cash flows from financing activities		24,284,937	18,924,916
Effect of exchange rate changes		( 291,543 )	145,649
(Decrease) increase in cash and cash equivalents		( 259,306 )	604,927
Cash and cash equivalents at beginning of period		2,382,775	1,058,573
Cash and cash equivalents at end of period		\$ 2,123,469	\$ 1,663,500

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

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

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

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 August 3, 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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 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.

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 six months ended June 30, 2023, except for Hoyun International Limited, Hoyun International Leasing Co., Ltd., Hoing Mobility Service Co., Ltd. and He Jing 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 six months ended June 30, 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
			June 30, 2023	December 31, 2022	June 30, 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	100.00	Note 7

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
Hoyun International Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	100.00	100.00	Note 7
Hoyun International Leasing Co., Ltd.	Homei International Trade (Suzhou) Co., Ltd.	Goods trading business	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 June 30, 2023, December 31, 2022 and June 30, 2022, the non-controlling interest amounted to \$3,663,718, \$3,411,715 and \$3,175,196, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		June 30, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Hoyun International Limited	China	\$ 2,568,593	49.50%	\$ 2,708,554	49.50%
				<u>Non-controlling interest</u>	
				<u>June 30, 2022</u>	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Hoyun International Limited	China			\$ 2,503,071	49.50%

Summarised financial information of the subsidiaries:

Balance sheets

	<u>Hoyun International Limited</u>		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current assets	\$ 29,433,104	\$ 26,651,451	\$ 22,553,481
Non-current assets	3,231,705	3,029,418	2,757,274
Current liabilities	( 27,030,389)	( 23,836,645)	( 19,846,329)
Non-current liabilities	( 445,343)	( 372,397)	( 407,716)
Total net assets	<u>\$ 5,189,077</u>	<u>\$ 5,471,827</u>	<u>\$ 5,056,710</u>

Statements of comprehensive income

	<u>Hoyun International Limited</u>	
	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 1,052,632	\$ 882,400
Profit before income tax	219,174	340,911
Income tax expense	( 111,835)	( 88,083)
Profit for the period	<u>107,339</u>	<u>252,828</u>
Other comprehensive loss, net of tax	( 177,695)	( 95,751)
Total comprehensive income for the period	<u>(\$ 70,356)</u>	<u>\$ 157,077</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 34,827)</u>	<u>\$ 77,753</u>
	<u>Hoyun International Limited</u>	
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 2,082,426	\$ 1,750,613
Profit before income tax	507,922	605,436
Income tax expense	( 186,010)	( 157,625)
Profit for the period	<u>321,912</u>	<u>447,811</u>
Other comprehensive (loss) income, net of tax	( 141,025)	73,734
Total comprehensive income for the period	<u>\$ 180,887</u>	<u>\$ 521,545</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 89,539</u>	<u>\$ 258,164</u>

## Statements of cash flows

	Hoyun International Limited	
	Six months ended June 30,	
	2023	2022
Net cash (used in) provide by operating activities	(\$ 1,819,884)	\$ 106,754
Net cash used in investing activities	( 158,597)	( 269,746)
Net cash provided by (used in) financing activities	2,593,887	( 52,602)
Effect of exchange rates on cash and cash equivalents	( 291,543)	145,649
Increase (decrease) in cash and cash equivalents	323,863	( 69,945)
Cash and cash equivalents, beginning of period	774,647	497,336
Cash and cash equivalents, end of period	\$ 1,098,510	\$ 427,391

### (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, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition 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)	2 ~ 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) 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 and does not give rise to equal taxable and deductible temporary differences. 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.

(26) 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.

(27) Dividends

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

(28) 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 Group 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 Group has an agreement with the financial institutions in relation to providing referral services of car loans. The Group facilitates the promotion of car loans and provides services of account management while the financial institutions compensate the Group 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 Group once the borrowers default on loans. The Group 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.

(29) 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.

(30) 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 \$259,449,426 as of June 30, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 3,933	\$ 3,966	\$ 3,782
Checking accounts and demand deposits	1,973,319	2,356,739	888,232
Cash equivalents			
Time deposits	146,217	22,070	22,401
Short-term notes and bills	-	-	749,085
	<u>\$ 2,123,469</u>	<u>\$ 2,382,775</u>	<u>\$ 1,663,500</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 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 June 30,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ -</u>	<u>\$ 322</u>

	Six months ended June 30,	
	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 196	\$ 322

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

	June 30, 2023		December 31, 2022	
	<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	\$ 477,300	(\$ 1,572,024)	\$ 504,827	(\$ 586,800)

	June 30, 2022	
	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges:		
<u>Exchange rate risk and interest rate risk</u>		
Cross-currency swaps	\$ 80,271	(\$ 1,102,458)

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	June 30, 2023				Six months ended June 30, 2023				
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest 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	\$ 237,049	\$ -	\$ -	6.33~6.55	4.108~5.30	\$ -
	JPY	62,600,000	2020/8/5~2025/5/2	-	( 1,572,024)	-	0.23~0.28	0.83~2.24	-
	EUR	75,000	2022/9/12~2024/9/12	240,251	-	-	30.60	2.04	-

		December 31, 2022				Year ended December 31, 2022			
<b>Hedging instruments</b>	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	-

		June 30, 2022				Six months ended June 30, 2022			
<b>Hedging instruments</b>	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	69,800	2022/1/12~2025/1/13	\$ 80,271	(\$ 1,852)	\$ -	6.33~6.55	4.108~5.56	\$ -
	JPY	33,800,000	2020/8/5~2024/9/9	-	( 1,100,606)	-	0.25~0.28	0.83~1.08	-

		June 30, 2023	
<b>Hedged items</b>		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		\$ 19,294,806	(\$ 1,148,447)
		December 31, 2022	
<b>Hedged items</b>		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		\$ 18,495,220	(\$ 282,796)

	June 30, 2022	
<b>Hedged items</b>	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	\$ 10,607,992	(\$ 1,167,797)

C. Cash flow hedges

	Six months ended June 30, 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	(	115,697)
Less: Reclassified to profit or loss as the hedged item has affected the profit and loss	(	31,797)
Add: Income tax relating to the hedge effectiveness- amount recognized in other comprehensive income		30,327
At June 30	\$	<u>39,490</u>

	Six months ended June 30, 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		238,165
Less: Reclassified to profit or loss as the hedged item has affected the profit and loss	(	26,910)
Less: Income tax relating to the hedge effectiveness- amount recognized in other comprehensive income	(	48,006)
At June 30	\$	<u>110,773</u>

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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Installment notes receivable	\$ 10,695,134	\$ 9,279,605	\$ 8,312,045
Installment accounts receivable	259,944,954	234,175,684	202,440,155
Accounts receivable	127,441	10,136	1,475
Lease payments and notes receivable	<u>30,014,626</u>	<u>27,491,636</u>	<u>23,083,047</u>
	300,782,155	270,957,061	233,836,722
Less: Unrealized interest revenue	( 33,417,259)	( 28,830,021)	( 23,164,746)
Unearned finance income	( 2,947,763)	( 2,685,321)	( 2,262,552)
Allowance for doubtful accounts	<u>( 4,967,707)</u>	<u>( 4,708,884)</u>	<u>( 4,150,522)</u>
Notes and accounts receivable, net	<u>\$ 259,449,426</u>	<u>\$ 234,732,835</u>	<u>\$ 204,258,902</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, notes receivable pledged as collaterals for loans and commercial papers to banks amounted to \$8,805,648, \$9,419,216 and \$3,741,110, 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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Not past due	\$ 298,070,729	\$ 268,604,715	\$ 231,902,555
31 to 60 days	998,585	794,048	653,406
61 to 90 days	524,864	458,572	344,482
91 to 120 days	352,820	303,456	244,972
121 to 150 days	409,031	305,658	264,894
Over 151 days	<u>426,126</u>	<u>490,612</u>	<u>426,413</u>
	<u>\$ 300,782,155</u>	<u>\$ 270,957,061</u>	<u>\$ 233,836,722</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Not later than one year	\$ 91,208,341	\$ 80,152,869	\$ 71,143,164
Over 1 year	<u>179,431,747</u>	<u>163,302,420</u>	<u>139,609,036</u>
	<u>\$ 270,640,088</u>	<u>\$ 243,455,289</u>	<u>\$ 210,752,200</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayments	\$ 3,515,618	\$ 3,205,965	\$ 3,457,251
Prepaid commission	2,741,336	2,879,378	2,934,267
Prpaid insurance premiums	232,715	178,600	164,923
Others	669,142	622,227	471,031
	<u>\$ 7,158,811</u>	<u>\$ 6,886,170</u>	<u>\$ 7,027,472</u>

(6) Investments accounted for using equity method

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Hotai Mobility Service Co., Ltd.	\$ 83,398	\$ 91,148	\$ 97,581
Zheng-Ren Energy Co., Ltd.	75,899	24,354	-
Gochabar Co., Ltd.	33,234	-	-
Heng Fong Energy Co., Ltd.	408,761	-	-
	<u>\$ 601,292</u>	<u>\$ 115,502</u>	<u>\$ 97,581</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 June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amount of the Group's individually immaterial associates amounted to \$601,292, \$115,502 and \$97,581, respectively.

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Comprehensive loss for the period	(\$ 7,346)	(\$ 3,710)
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Comprehensive loss for the period	(\$ 15,090)	(\$ 5,567)

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 (\$7,346), (\$3,710), (\$15,090) and (\$5,567) for the three months and six months ended June 30, 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

	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	\$ 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	-	-	427,993	18,180	446,173	21,753	805,013	826,766	9,177	1,282,116
Acquired from business combinations	-	-	69,789	-	69,789	-	-	-	-	69,789
Disposal	-	-	( 126)	-	( 126)	( 2,702)	( 4,985)	( 7,687)	-	( 7,813)
Reclassifications	-	-	-	( 1,458)	( 1,458)	-	( 267,684)	( 267,684)	-	( 269,142)
Transfers from prepayments for business facilities	-	-	111,700	-	111,700	-	62,282	62,282	-	173,982
Depreciation	-	( 3,299)	( 26,472)	( 55,277)	( 81,749)	( 11,960)	( 535,519)	( 547,479)	( 9,730)	( 642,257)
Gain on reversal of impairment loss	-	-	-	1,892	1,892	-	-	-	-	1,892
Net exchange differences	-	-	( 175)	-	( 175)	( 1,850)	( 25,504)	( 27,354)	( 278)	( 27,807)
Closing net book amount as at June 30	<u>\$ 947,458</u>	<u>\$ 247,425</u>	<u>\$1,191,403</u>	<u>\$ 138,796</u>	<u>\$1,330,199</u>	<u>\$ 65,992</u>	<u>\$ 4,832,217</u>	<u>\$ 4,898,209</u>	<u>\$ 44,273</u>	<u>\$ 7,467,564</u>
At June 30										
Cost	\$ 947,458	\$ 267,998	\$1,311,754	\$ 368,037	\$1,679,791	\$ 156,248	\$ 7,396,403	\$ 7,552,651	\$ 120,003	\$10,567,901
Accumulated depreciation and impairment	-	( 20,573)	( 120,351)	( 229,241)	( 349,592)	( 90,256)	( 2,564,186)	( 2,654,442)	( 75,730)	( 3,100,337)
	<u>\$ 947,458</u>	<u>\$ 247,425</u>	<u>\$1,191,403</u>	<u>\$ 138,796</u>	<u>\$1,330,199</u>	<u>\$ 65,992</u>	<u>\$ 4,832,217</u>	<u>\$ 4,898,209</u>	<u>\$ 44,273</u>	<u>\$ 7,467,564</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	110,241	51,955	162,196	12,036	786,364	798,400	-	1,498,657
Disposal	-	-	-	-	-	( 928)	-	( 928)	-	( 928)
Reclassifications	( 231,623)	( 55,302)	-	( 4,109)	( 4,109)	-	( 152,282)	( 152,282)	-	( 443,316)
Depreciation	-	( 2,709)	( 8,223)	( 87,591)	( 95,814)	( 12,673)	( 524,539)	( 537,212)	( 8,035)	( 643,770)
Gain on reversal of impairment loss	-	-	-	1,551	1,551	-	-	-	-	1,551
Net exchange differences	-	-	114	-	114	1,278	21,146	22,424	158	22,696
Closing net book amount as at June 30	<u>\$ 947,458</u>	<u>\$ 234,623</u>	<u>\$ 165,897</u>	<u>\$ 236,874</u>	<u>\$ 402,771</u>	<u>\$ 57,451</u>	<u>\$ 4,731,972</u>	<u>\$ 4,789,423</u>	<u>\$ 37,290</u>	<u>\$ 6,411,565</u>
At June 30										
Cost	\$ 947,458	\$ 248,876	\$ 236,086	\$ 581,069	\$ 817,155	\$ 133,261	\$ 6,710,609	\$ 6,843,870	\$ 94,420	\$ 8,951,779
Accumulated depreciation and impairment	-	( 14,253)	( 70,189)	( 344,195)	( 414,384)	( 75,810)	( 1,978,637)	( 2,054,447)	( 57,130)	( 2,540,214)
	<u>\$ 947,458</u>	<u>\$ 234,623</u>	<u>\$ 165,897</u>	<u>\$ 236,874</u>	<u>\$ 402,771</u>	<u>\$ 57,451</u>	<u>\$ 4,731,972</u>	<u>\$ 4,789,423</u>	<u>\$ 37,290</u>	<u>\$ 6,411,565</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 42,302	\$ 25,299	\$ 329
Buildings and structures	409,771	340,974	320,756
Machinery and equipment	1,644	2,191	2,741
	<u>\$ 453,717</u>	<u>\$ 368,464</u>	<u>\$ 323,826</u>

	<u>Three months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 607	\$ 23
Buildings and structures	34,040	36,071
Machinery and equipment	274	274
	<u>\$ 34,921</u>	<u>\$ 36,368</u>

	<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 960	\$ 47
Buildings and structures	66,206	74,278
Machinery and equipment	548	548
	<u>\$ 67,714</u>	<u>\$ 74,873</u>

- C. For the three months and six months ended June 30, 2023 and 2022, the additions to right-of-use assets were \$107,625, \$36,725, \$157,623 and \$64,116, respectively.
- D. The information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,516	\$ 961
Expense on short-term lease contracts and leases of low-value assets	6,277	15,465
Profit from lease modification	-	754
Expense on variable lease payments	1,696	345

	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,724	\$ 2,038
Expense on short-term lease contracts and leases of low-value assets	13,616	20,962
Profit from lease modification	38	758
Expense on variable lease payments	2,732	706

E. For the six months ended June 30, 2023 and 2022, the Group's total cash outflow for leases were \$88,435 and \$99,088, 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:

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Finance income from the net investment in the finance lease	\$ 800,821	\$ 644,793
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Finance income from the net investment in the finance lease	\$ 1,589,003	\$ 1,290,189

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Next 1 year	\$ 20,140,499	\$ 18,589,016	\$ 16,046,558
Next 2 years	7,544,831	7,044,578	5,879,694
Next 3 years	1,751,363	1,476,779	1,103,069
Next 4 years	336,721	175,853	17,114
Next 5 years	140,819	119,922	1,284
Next 6 years	13,278	7,537	-
	<u>\$ 29,927,511</u>	<u>\$ 27,413,685</u>	<u>\$ 23,047,719</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Undiscounted lease payments	\$ 29,927,511	\$ 27,413,685	\$ 23,047,719
Unearned finance income	( 2,947,763)	( 2,685,321)	( 2,262,552)
Net investment in the lease	<u>\$ 26,979,748</u>	<u>\$ 24,728,364</u>	<u>\$ 20,785,167</u>

E. For the three months and six months ended June 30, 2023 and 2022, the Group recognized rent income in the amounts of \$1,195,324, \$967,837, \$2,419,288 and \$2,021,163 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:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Next 1 year	\$ 437,641	\$ 566,590	\$ 597,722
Next 2 years	146,201	188,105	257,507
Next 3 years	52,376	64,911	77,245
Next 4 years	13,296	16,625	20,790
Next 5 years	3,094	3,845	8,066
Next 6 years	1,080	-	-
	<u>\$ 653,688</u>	<u>\$ 840,076</u>	<u>\$ 961,330</u>

(10) Investment property

	<u>2023</u>		
	<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 charge	-	( 1,080)	( 1,080)
At June 30	<u>\$ 231,623</u>	<u>\$ 52,063</u>	<u>\$ 283,686</u>
At June 30			
Cost	\$ 231,623	\$ 66,678	\$ 298,301
Accumulated depreciation	-	( 14,615)	( 14,615)
	<u>\$ 231,623</u>	<u>\$ 52,063</u>	<u>\$ 283,686</u>

	2022		
	Land	Buildings and structures	Total
At January 1	\$ -	\$ -	\$ -
Reclassification	231,623	55,302	286,925
Depreciation charge	-	(1,080)	(1,080)
At June 30	<u>\$ 231,623</u>	<u>\$ 54,222</u>	<u>\$ 285,845</u>
At June 30			
Cost	\$ 231,623	\$ 66,678	\$ 298,301
Accumulated depreciation	-	(12,456)	(12,456)
	<u>\$ 231,623</u>	<u>\$ 54,222</u>	<u>\$ 285,845</u>

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

	Three months ended June 30, 2023	Three months ended June 30, 2022
Rental income from investment property	<u>\$ 1,812</u>	<u>\$ 1,967</u>
Direct operating expenses arising from the investment property that generated rental income during the period ( including depreciation expense)	<u>\$ 826</u>	<u>\$ 1,370</u>
	Six months ended June 30, 2023	Six months ended June 30, 2022
Rental income from investment property	<u>\$ 3,624</u>	<u>\$ 1,967</u>
Direct operating expenses arising from the investment property that generated rental income during the period ( including depreciation expense)	<u>\$ 1,366</u>	<u>\$ 1,370</u>

B. The fair value of the investment property held by the Group was \$316,199 and \$323,664 as at June 30, 2023 and December 31, 2022, respectively.

(11) Short-term loans

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Type of loans</u>			
Bank loans			
Credit loans	\$ 64,331,852	\$ 51,385,627	\$ 58,681,132
Pledged loans	6,119,527	7,500,000	8,300,000
Mid-term syndicated loans for working capital	24,637,590	25,047,716	7,978,504
	<u>\$ 95,088,969</u>	<u>\$ 83,933,343</u>	<u>\$ 74,959,636</u>
Interest rates	<u>0.57%~5.36%</u>	<u>0.55%~5.59%</u>	<u>0.57%~4.75%</u>

As of June 30, 2023, December 31, 2022 and June 30, 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 0.63%~4.75%, respectively.
- B. The subsidiary, He Jing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of \$ 10 billion with 12 financial institutions including Mega International Commercial Bank, Ltd. in order to fulfil its working capital. The duration is 36 months (from the first time be drawn), the loan can be drawn several times and is revolving. As of June 30, 2023, it has not been drawn yet.
- C. 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.
- D. 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.
- E. 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.
- F. 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.
- G. 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.

- H. 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.
- I. 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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Commercial paper payable	\$ 112,298,400	\$ 105,113,400	\$ 87,640,000
Less: Unamortized discount	( 157,287)	( 126,804)	( 103,531)
	<u>\$ 112,141,113</u>	<u>\$ 104,986,596</u>	<u>\$ 87,536,469</u>
Interest rates	<u>0.66%~2.02%</u>	<u>0.66%~1.99%</u>	<u>0.48%~1.50%</u>

(13) Bond payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Bonds payable	<u>\$ 26,200,000</u>	<u>\$ 22,200,000</u>	<u>\$ 22,200,000</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.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	June 30, 2023	December 31, 2022	June 30, 2022
Long-term bank borrowings					
Secured borrowings (Note)	Borrowing period is from July 2019 to March 2030; interest is repayable monthly, repayment of principal	2.27% ~2.68%	\$ 527,518	\$ -	-
	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% ~1.51%	148,840	147,558	143,040
			676,358	262,723	143,040
Less : Long-term liabilities, current portion			( 282,819)	( 7,891)	-
			<u>\$ 393,539</u>	<u>\$ 254,832</u>	<u>\$ 143,040</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 June 30, 2023, December 31,2022 and June 30, 2022, were 2.27%~5.30%, 1.96%~5.30% and 5.30%, respectively.
- B. As of June 30, 2023, the maturities of long-term borrowings are as follows:

<u>Duration of maturity</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Up to 1 year	\$ 282,819	\$ 7,891	\$ -
1 to 2 years	180,899	155,449	-
Over 2 years	212,640	99,383	143,040
	<u>\$ 676,358</u>	<u>\$ 262,723</u>	<u>\$ 143,040</u>

(15) Guarantee deposits received

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	\$ 4,317,175	\$ 4,275,142	\$ 3,703,681
Non-current	242,220	224,064	259,021
	<u>\$ 4,559,395</u>	<u>\$ 4,499,206</u>	<u>\$ 3,962,702</u>

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

(16) 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 six months ended June 30, 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 and six months ended June 30, 2023 and 2022 were \$38,723, \$30,730, 74,063 and \$58,787, respectively.

(17) Share capital

- A. As of June 30, 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.

(18) 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.

(19) 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 May 31, 2023 and June 23, 2022, the shareholders resolved the distribution of earnings for the year of 2022 and 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>	

(20) Operating revenue

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 692,873	\$ 556,728
Other operating revenue		
Interest income	4,234,384	3,296,110
Revenue from operating leases	1,192,289	965,212
Revenue from finance leases	<u>800,821</u>	<u>644,793</u>
	<u>\$ 6,920,367</u>	<u>\$ 5,462,843</u>
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 1,289,048	\$ 1,017,400
Other operating revenue		
Interest income	8,193,783	6,323,297
Revenue from operating leases	2,413,170	2,016,583
Revenue from finance leases	<u>1,589,003</u>	<u>1,290,189</u>
	<u>\$ 13,485,004</u>	<u>\$ 10,647,469</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 June 30, 2023</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 632,884	\$ 59,989	\$ 692,873
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 632,884</u>	<u>\$ 59,989</u>	<u>\$ 692,873</u>
Timing of revenue recognition			
At a point in time	\$ 557,607	\$ 59,989	\$ 617,596
Over time	<u>75,277</u>	<u>-</u>	<u>75,277</u>
	<u>\$ 632,884</u>	<u>\$ 59,989</u>	<u>\$ 692,873</u>

<u>Three months ended June 30, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 501,494	\$ 55,234	\$ 556,728
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 501,494</u>	<u>\$ 55,234</u>	<u>\$ 556,728</u>
Timing of revenue recognition			
At a point in time	\$ 425,927	\$ 55,234	\$ 481,161
Over time	<u>75,567</u>	<u>-</u>	<u>75,567</u>
	<u>\$ 501,494</u>	<u>\$ 55,234</u>	<u>\$ 556,728</u>

<u>Six months ended June 30, 2023</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,181,011	\$ 108,037	\$ 1,289,048
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 1,181,011</u>	<u>\$ 108,037</u>	<u>\$ 1,289,048</u>
Timing of revenue recognition			
At a point in time	\$ 1,035,270	\$ 108,037	\$ 1,143,307
Over time	<u>145,741</u>	<u>-</u>	<u>145,741</u>
	<u>\$ 1,181,011</u>	<u>\$ 108,037</u>	<u>\$ 1,289,048</u>

<u>Six months ended June 30, 2023</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 924,032	\$ 93,368	\$ 1,017,400
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 924,032</u>	<u>\$ 93,368</u>	<u>\$ 1,017,400</u>
Timing of revenue recognition			
At a point in time	\$ 769,776	\$ 93,368	\$ 863,144
Over time	<u>154,256</u>	<u>-</u>	<u>154,256</u>
	<u>\$ 924,032</u>	<u>\$ 93,368</u>	<u>\$ 1,017,400</u>

(21) Operating costs

	Three months ended June 30,	
	2023	2022
Interest costs	\$ 1,068,392	\$ 544,700
Rental costs	874,620	768,352
Cost of sales	837,639	474,386
Service costs	94,636	133,567
Other costs	17,663	2,091
	<u>\$ 2,892,950</u>	<u>\$ 1,923,096</u>
	Six months ended June 30,	
	2023	2022
Interest costs	\$ 2,032,000	\$ 997,335
Rental costs	1,731,540	1,523,416
Cost of sales	1,508,490	825,206
Service costs	205,970	238,887
Other costs	31,728	3,563
	<u>\$ 5,509,728</u>	<u>\$ 3,588,407</u>

(22) Interest income

	Three months ended June 30,	
	2023	2022
Interest income from bank deposits	\$ 5,914	\$ 2,931
Interest income from short-term notes payable	1,166	1,929
Other interest income	91	23
	<u>\$ 7,171</u>	<u>\$ 4,883</u>
	Six months ended June 30,	
	2023	2022
Interest income from bank deposits	\$ 9,059	\$ 6,488
Interest income from short-term notes payable	1,738	1,929
Other interest income	121	47
	<u>\$ 10,918</u>	<u>\$ 8,464</u>

(23) Other income

	Three months ended June 30,	
	2023	2022
Rental income	\$ 3,035	\$ 2,625
Other income - others	73,856	155,933
	<u>\$ 76,891</u>	<u>\$ 158,558</u>

	Six months ended June 30,	
	2023	2022
Rental income	\$ 6,118	\$ 4,580
Other income - others	129,928	241,514
	<u>\$ 136,046</u>	<u>\$ 246,094</u>

(24) Other gains and losses

	Three months ended June 30,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ -	\$ 322
Foreign exchange losses	( 17,831)	( 4,270)
Gains on disposals of property, plant and equipment	86	46
Others	7,649	( 4,478)
	<u>(\$ 10,096)</u>	<u>(\$ 8,380)</u>

	Six months ended June 30,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 196	\$ 322
Foreign exchange losses	( 17,862)	( 3,697)
(Losses) gains on disposals of property, plant and equipment	( 3,804)	907
Others	( 2,911)	( 5,733)
	<u>(\$ 24,381)</u>	<u>(\$ 8,201)</u>

(25) Finance costs

	Three months ended June 30,	
	2023	2022
Finance expense, others	\$ 1,516	\$ 961

	Six months ended June 30,	
	2023	2022
Finance expense, others	\$ 2,724	\$ 2,038

(26) Expenses by nature

	Three months ended June 30,	
	2023	2022
Employee benefit expense	\$ 903,577	\$ 824,741
Depreciation charges on right-of-use assets	\$ 34,921	\$ 36,368
Depreciation charges on property, plant and equipment	\$ 324,656	\$ 324,617
Depreciation charges on investment property	\$ 540	\$ 1,080

	Six months ended June 30,	
	2023	2022
Employee benefit expense	\$ 1,684,580	\$ 1,483,999
Depreciation charges on right-of-use assets	\$ 67,714	\$ 74,873
Depreciation charges on property, plant and equipment	\$ 642,257	\$ 643,770
Depreciation charges on investment property	\$ 1,080	\$ 1,080

(27) Employee benefit expense

	Three months ended June 30,	
	2023	2022
Wages and salaries	\$ 759,790	\$ 712,499
Labor and health insurance fees	59,465	47,373
Pension costs	38,723	30,730
Directors' and supervisors' remuneration	1,649	1,686
Other personnel expenses	43,950	32,453
	\$ 903,577	\$ 824,741

	Six months ended June 30,	
	2023	2022
Wages and salaries	\$ 1,396,494	\$ 1,263,088
Labor and health insurance fees	123,140	93,305
Pension costs	74,603	58,787
Directors' and supervisors' remuneration	3,181	3,073
Other personnel expenses	87,162	65,746
	\$ 1,684,580	\$ 1,483,999

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 and six months ended June 30, 2023 and 2022, employees' remuneration were accrued at \$11,834, \$11,935, \$23,368 and \$22,922, 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 six months ended June 30, 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.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the period	\$ 396,918	\$ 311,132
Tax on undistributed surplus earnings	50,915	29,130
Prior year income tax overestimation	( 1,329)	( 12,368)
Total current tax	<u>446,504</u>	<u>327,894</u>
Deferred tax:		
Origination and reversal of temporary differences	( 55,344)	19,945
Total deferred tax	( 55,344)	19,945
Income tax expense	<u>\$ 391,160</u>	<u>\$ 347,839</u>
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the period	\$ 766,185	\$ 653,439
Tax on undistributed surplus earnings	50,915	29,130
Prior year income tax overestimation	( 1,329)	( 12,368)
Total current tax	<u>815,771</u>	<u>670,201</u>
Deferred tax:		
Origination and reversal of temporary differences	( 105,348)	( 30,989)
Total deferred tax	( 105,348)	( 30,989)
Income tax expense	<u>\$ 710,423</u>	<u>\$ 639,212</u>

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

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash flow hedges	(\$ 3,756)	\$ 40,215
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash flow hedges	(\$ 30,327)	\$ 48,006

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

(29) Earnings per share

	<u>Three months ended June 30, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 886,849		
Less: Dividend on preferred stock	<u>-</u>		
Profit attributable to ordinary shareholders of the parent	<u>\$ 886,849</u>	<u>566,500</u>	<u>\$ 1.57</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 886,849	566,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>87</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 886,849</u>	<u>566,587</u>	<u>\$ 1.57</u>
	<u>Three months ended June 30, 2022</u>		
	<u>Amount after tax</u>	<u>Retrospective adjusted weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 918,838</u>	<u>566,500</u>	<u>\$ 1.62</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 918,838	566,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>3</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 918,838</u>	<u>566,503</u>	<u>\$ 1.62</u>

	Six months ended June 30, 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	\$ 1,786,030		
Less: Dividend on preferred stock	( 58,685)		
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,727,345</u>	<u>566,500</u>	<u>\$ 3.05</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,727,345	566,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	338	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,727,345</u>	<u>566,838</u>	<u>\$ 3.05</u>

	Six months ended June 30, 2022		
	Amount after tax	Retrospective adjusted weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,787,167	566,500	\$ 3.15
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,787,167	566,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	395	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,787,167</u>	<u>566,895</u>	<u>\$ 3.15</u>

### (30) Supplemental cash flow information

#### Investing activities with partial cash payments

	Six months ended June 30, 2023
Purchase of property, plant and equipment	\$ 1,282,116
Add: Opening balance of payable on equipment (Shown as 'Accounts payable')	154,579
Less: Ending balance of payable on equipment (Shown as 'Accounts payable')	( 235,881)
Cash paid during the period	\$ 1,200,814

### (31) 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	12,196,298	7,185,000	4,000,000	345,442	60,189	416,871	( 69,363)	-	24,134,437
Impact of changes in foreign exchange rate	( 170,035)	-	-	( 4,098)	-	-	( 3,446)	-	( 177,579)
Others	( 870,637)	( 30,483)	-	72,291	-	-	156,324	1,861,295	1,188,790
At June 30	\$ 95,088,969	\$ 112,141,113	\$ 26,200,000	\$ 676,358	\$ 4,559,395	\$ 858,265	\$ 454,194	\$ 1,861,295	\$ 241,839,589

  

	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	18,457,039	( 9,360,000)	10,000,000	-	( 2,499)	( 294,242)	( 75,382)	-	18,724,916
Impact of changes in foreign exchange rate	62,824	-	-	13,476	-	-	987	-	77,287
Others	( 658,504)	( 17,719)	-	( 3,338)	-	-	38,742	2,163,002	1,522,183
At June 30	\$ 74,959,636	\$ 87,536,469	\$ 22,200,000	\$ 143,040	\$ 3,962,702	\$ 444,019	\$ 327,171	\$ 2,163,002	\$ 191,736,039

## 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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Ho Tai Motor Co., Ltd.	The ultimate parent
Hozan Investment Co., Ltd.	Parent
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Other related parties
Tau Miau Motor Co., Ltd. (Tau Miau)	Other related parties
Kuotu Motor Co., Ltd. (Kuotu)	Other related parties
Central Motor Co., Ltd. (Central)	Other related parties
Nan Du Motor Co., Ltd.	Other related parties
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
Kuozui Motors, 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
Zheng-Ren Energy Co., Ltd. (Zheng-Ren)	Other related parties
Gochabar Co., Ltd.	Other related parties
Formosa Container Transportation Company Limited	Other related parties
Shi-ho Screw Industrial Co., Ltd.	Other related parties
Ho Young Travel Agency 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

Names of related parties	Relationship with the Group
Shanghai Ho-mian Motor Technology Co., Ltd. (Shanghai Ho-mian)	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. (Chongqing Yurun)	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 June 30,	
	2023	2022
- The ultimate parent	\$ 16,145	\$ 42,923
- Other related parties	45,339	56,192
	<u>\$ 61,484</u>	<u>\$ 99,115</u>
	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 43,247	\$ 109,448
- Other related parties	91,789	141,532
	<u>\$ 135,036</u>	<u>\$ 250,980</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 June 30,	
	2023	2022
- The ultimate parent	\$ 463	\$ 356
- Other related parties	32,295	30,563
	<u>\$ 32,758</u>	<u>\$ 30,919</u>

  

	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 790	\$ 507
- Other related parties	60,081	57,587
	<u>\$ 60,871</u>	<u>\$ 58,094</u>

(c) Sales revenue

	Three months ended June 30,	
	2023	2022
- Other related parties	\$ 14,950	\$ 1,048

  

	Six months ended June 30,	
	2023	2022
- Other related parties	\$ 27,617	\$ 10,416

B. Expenses

(a) Cost of rental sales:

	Three months ended June 30,	
	2023	2022
- The ultimate parent	\$ 26	\$ 68
- Other related parties	158,262	128,982
	<u>\$ 158,288</u>	<u>\$ 129,050</u>

  

	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 125	\$ 170
- Other related parties	307,313	215,988
	<u>\$ 307,438</u>	<u>\$ 216,158</u>

(b) Rent expense:

	Three months ended June 30,	
	2023	2022
- The ultimate parent	\$ 50	\$ 87
- Other related parties	13,185	7,204
	<u>\$ 13,235</u>	<u>\$ 7,291</u>
	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 50	\$ 93
- Other related parties	17,140	15,798
	<u>\$ 17,190</u>	<u>\$ 15,891</u>

(c) Commission expense:

	Three months ended June 30,	
	2023	2022
- The ultimate parent	\$ -	\$ -
- Other related parties	58,942	77,991
	<u>\$ 58,942</u>	<u>\$ 77,991</u>
	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 8,787	\$ 15,369
- Other related parties	142,387	157,088
	<u>\$ 151,174</u>	<u>\$ 172,457</u>

(d) Advertisement expense

	Three months ended June 30,	
	2023	2022
- The ultimate parent	\$ 400	\$ -
- Other related parties		
Hotai Connected	11,350	10,640
Others	203	5
	<u>\$ 11,953</u>	<u>\$ 10,645</u>
	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 405	\$ -
- Other related parties		
Hotai Connected	23,612	22,752
Others	203	5
	<u>\$ 24,220</u>	<u>\$ 22,757</u>

(e) Chattel custody service fee

	Three months ended June 30,	
	2023	2022
- Other related parties	\$ 9,608	\$ 8,485

  

	Six months ended June 30,	
	2023	2022
- Other related parties	\$ 19,719	\$ 22,481

(f) Others

	Three months ended June 30,	
	2023	2022
- The ultimate parent	\$ 1,200	\$ -
- Other related parties		
Kuotu	1,524,501	1,448,521
Kau Du	1,207,977	1,080,361
Others	2,683,516	1,890,889
	<u>\$ 5,417,194</u>	<u>\$ 4,419,771</u>

  

	Six months ended June 30,	
	2023	2022
- The ultimate parent	\$ 1,705	\$ -
- Other related parties		
Kuotu	3,365,864	3,234,387
Kau Du	2,258,113	2,435,843
Others	5,054,777	4,134,891
	<u>\$ 10,680,459</u>	<u>\$ 9,805,121</u>

As described in Note 4(28), 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:

	June 30, 2023	December 31, 2022	June 30, 2022
- The ultimate parent	\$ 5,812	\$ 32,800	\$ 25,401
- Other related parties	39,663	52,399	69,274
	<u>\$ 45,475</u>	<u>\$ 85,199</u>	<u>\$ 94,675</u>

(b) Notes payable:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
- Other related parties	\$ 43,955	\$ 4,759	\$ 21,204

(c) Accounts payable:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
- The ultimate parent	\$ -	\$ -	\$ 1,426
- Other related parties			
Kuotu	130,634	90,248	88,220
Others	90,264	68,210	50,302
	<u>\$ 220,898</u>	<u>\$ 158,458</u>	<u>\$ 139,948</u>

(d) Other payables:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
- The ultimate parent	\$ 886	\$ 875	\$ 807
- Other related parties	45,756	91,771	67,557
	<u>\$ 46,642</u>	<u>\$ 92,646</u>	<u>\$ 68,364</u>

(e) Prepayments:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
- Other related parties	\$ 20,864	\$ 13,382	\$ 40,038

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

(a) Lease:

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
- The ultimate parent	\$ 22,742	\$ 4,020
- Other related parties		
Kuotu	53,839	148,177
Taipei Motor	109,700	49,205
Central Motor	91,967	53,168
Tau Miao	59,322	-
Others	56,354	42,918
	<u>\$ 393,924</u>	<u>\$ 297,488</u>
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
- The ultimate parent	\$ 31,015	\$ 15,605
- Other related parties		
Kuotu	149,804	225,800
Taipei Motor	130,261	201,450
Central Motor	121,768	152,658
Tau Miao	90,233	55,292
Others	157,412	184,902
	<u>\$ 680,493</u>	<u>\$ 835,707</u>

(b) Owner-occupied:

	Three months ended June 30,	
	2023	2022
- Other related parties		
Tianjin Hozhan	\$ 2,406	\$ 2
Nanjing Hozhan	2,266	447
Chongqing Yurun	961	-
Shanghai Hozhan	-	9
	<u>\$ 5,633</u>	<u>\$ 458</u>
	Six months ended June 30,	
	2023	2022
- Other related parties		
Tianjin Hozhan	\$ 3,510	\$ 486
Nanjing Hozhan	3,165	447
Chongqing Yurun	961	-
Shanghai Hozhan	-	1,799
	<u>\$ 7,636</u>	<u>\$ 2,732</u>

E. Property transactions – Acquisition of financial assets

	Item recognised	Shares traded	Transaction target	Six months ended June 30
				Consideration
- Other related parties				
Zheng-Ren	Investment accounted using the equity method	5,488,000	Shares	<u>\$ 54,880</u>

F. 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) Acquisition of right-of-use asset

	Six months ended June 30,	
	2023	2022
-Other related parties		
Shanghai Ho-mian	\$ 54,651	\$ -
Others	-	623
	<u>\$ 54,651</u>	<u>\$ 623</u>

(c) Lease liabilities:

	<u>June 30, 2023</u>	<u>December 31,2022</u>	<u>June 30, 2022</u>
- The ultimate parent	\$ 1,903	\$ 3,798	\$ 5,686
- Other related parties			
Ho Yu	16,399	17,956	19,508
Others	331	434	692
	<u>\$ 18,633</u>	<u>\$ 22,188</u>	<u>\$ 25,886</u>

G. Loans from related parties:

Loans from related parties

Outstanding balance:

	<u>June 30, 2023</u>	<u>December 31,2022</u>	<u>June 30, 2022</u>
- Other related parties			
Hotong	\$ 858,265	\$ 441,394	\$ 444,019

The loans from related parties are repaid in full amount at the maturity date and carried interest at 3.15%~3.2% per annum, which is shown as ‘Other payables.’

(4) Key management compensation

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Wages, salaries and others short-term employee benefits	\$ 21,961	\$ 15,324
Post-employment benefits	198	158
	<u>\$ 22,159</u>	<u>\$ 15,482</u>
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Wages, salaries and others short-term employee benefits	\$ 43,934	\$ 28,281
Post-employment benefits	386	296
	<u>\$ 44,320</u>	<u>\$ 28,577</u>

## 8. PLEDGED ASSETS

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

Items	June 30, 2023	December 31, 2022	June 30, 2022	Purpose
Pledged assets (Note 1)				
- Pledged time deposits	\$ 216,365	\$ 108,487	\$ 197,985	Guarantee deposit for credit line on gasoline purchases, pledged to banks as collateral for acceptance bill and lease deposit
- Pledged savings account	355,550	346,859	360,629	Pledged to banks as collateral for short-term borrowings, commercial paper payable, acceptance bill and performance guarantee
	\$ 571,915	\$ 455,346	\$ 558,614	
Notes and accounts receivable, net				
- Notes receivable from installment sales	\$ 5,707,086	\$ 5,185,894	\$ 3,670,748	Pledged to banks as collateral for short-term borrowings and commercial paper payable
- Notes receivable from leases	56,871	66,561	70,362	"
- Lease payments receivable	3,041,691	4,166,761	-	"
	\$ 8,805,648	\$ 9,419,216	\$ 3,741,110	
Property, plant and equipment	\$ 935,009	\$ 181,803	\$ -	Pledged to banks as collateral for long-term borrowings
Prepayments for business facilities (Note 2)	\$ 55,900	\$ -	\$ -	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

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

(2) As of June 30, 2023, the Group had entered into contracts for the purchase and installation of equipment and the purchase of the real estate but not yet acquired amounting to \$1,910,120 and \$830,140, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) On August 3, 2023, the Board of Directors of the Company resolved to issue secured and unsecured corporate bonds in amounts not exceeding \$5,000,000 and \$11,000,000, respectively.
- (2) On July 26, 2023, the Board of Directors of the subsidiary, He Jun Energy Co., Ltd., resolved to acquire 100% of the shares of Chengyo Technology Co., Ltd., the transaction price does not exceed \$500,000.

## 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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 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	\$ 20,334	\$ 3,519	\$ 4,048
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	\$ 2,123,469	\$ 2,382,775	\$ 1,663,500
Notes receivable	10,721,561	9,340,046	8,393,885
Accounts receivable	237,938,995	216,928,982	190,570,693
Other receivables	99,187	82,568	55,594
Guarantee deposits paid	244,679	193,955	185,691
Other financial assets	571,915	455,346	558,614
Long-term notes and accounts receivable	10,788,870	8,463,807	5,294,324
	<u>\$ 262,488,676</u>	<u>\$ 237,847,479</u>	<u>\$ 206,722,301</u>
Hedging financial assets	<u>\$ 477,300</u>	<u>\$ 504,827</u>	<u>\$ 80,271</u>

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term loans	\$ 95,088,969	\$ 83,933,343	\$ 74,959,636
Short-term notes and bills payable	112,141,113	104,986,596	87,536,469
Notes payable	889,419	762,215	720,197
Accounts payable (including related parties)	747,594	514,386	335,363
Other payables	5,000,500	3,165,332	4,837,270
Bonds payable	26,200,000	22,200,000	22,200,000
Long-term loans (including current portion)	676,358	262,723	143,040
Guarantee deposits received	4,559,395	4,499,206	3,962,702
Financial guarantee liabilities	33,251	39,598	47,553
	<u>\$ 245,336,599</u>	<u>\$ 220,363,399</u>	<u>\$ 194,742,230</u>
Lease liabilities	<u>\$ 454,194</u>	<u>\$ 370,679</u>	<u>\$ 327,171</u>
Hedging financial liabilities	<u>\$ 1,572,024</u>	<u>\$ 586,800</u>	<u>\$ 1,102,458</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:

		June 30, 2023			December 31, 2022		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>							
<u>Financial Assets</u>							
<u>Monetary items</u>							
	USD:NTD	USD	7,550	31.1400	\$ 235,118	USD	- 30.7100 \$ -
		June 30, 2022					
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)			
<b>(Foreign currency: functional currency)</b>							
<u>Financial Assets</u>							
<u>Monetary items</u>							
	USD:NTD	USD	-	29.7200	\$	-	-

- 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 six months ended June 30, 2023 and 2022, amounted to (\$17,862) and (\$3,697), 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 June 30,					
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
<b>(Foreign currency: functional currency)</b>					
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1%	\$ 2,351	\$ -	1%	\$ - \$ -

Cash flow and fair value Interest rate risk

- i. 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.
  - ii. 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.
  - iii. 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 six months ended June 30, 2023 and 2022 would have increased/decreased by \$440,000 and \$110,275, 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 June 30, 2023, December 31, 2022 and June 30, 2022, the outstanding amount of the customers' mortgaged loans with the banks were \$2,937,651, \$3,779,139 and \$4,708,334, respectively; and the amount of notes receivable received by the Group from the customers were \$43,401, \$71,213 and \$91,854, 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 uses 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 June 30, 2023, December 31, 2022 and June 30, 2022, the provision matrix is as follows:

		31 to 60	61 to 90	91 to 120
<u>June 30, 2023</u>	<u>Not past due</u>	<u>days past due</u>	<u>days past due</u>	<u>days past due</u>
Total book value	\$ 298,070,729	\$ 998,585	\$ 524,864	\$ 352,820
Loss allowance	\$ 3,193,729	\$ 402,313	\$ 373,922	\$ 271,411

		121 to 150	Over 151 days	Total
		<u>days past due</u>		
Total book value		\$ 409,031	\$ 426,126	\$ 300,782,155
Loss allowance		\$ 335,947	\$ 390,385	\$ 4,967,707

		31 to 60	61 to 90	91 to 120
<u>December 31, 2022</u>	<u>Not past due</u>	<u>days past due</u>	<u>days past due</u>	<u>days past due</u>
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	Over 151 days	Total
		<u>days past due</u>		
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
<u>June 30, 2022</u>	<u>Not past due</u>	<u>days past due</u>	<u>days past due</u>	<u>days past due</u>
Total book value	\$ 231,902,555	\$ 653,406	\$ 344,482	\$ 244,972
Loss allowance	\$ 2,710,254	\$ 317,810	\$ 253,996	\$ 206,347

		121 to 150	Over 151 days	Total
		<u>days past due</u>		
Total book value		\$ 264,894	\$ 426,413	\$ 233,836,722
Loss allowance		\$ 245,347	\$ 416,768	\$ 4,150,522

- 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:

	<u>2023</u>	
	<u>Receivables</u>	
At January 1	\$	4,708,884
Provision for impairment		1,962,068
Write-offs	(	1,667,672)
Effect of foreign exchange	(	35,573)
At June 30	<u>\$</u>	<u>4,967,707</u>
	<u>2022</u>	
	<u>Receivables</u>	
At January 1	\$	3,722,206
Provision for impairment		1,066,776
Write-offs	(	670,444)
Effect of foreign exchange		31,984
At June 30	<u>\$</u>	<u>4,150,522</u>

For the six months ended June 30, 2023 and 2022, gains on reversal of bad debts amounted to \$486,016 and \$365,365, 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 June 30, 2023, December 31, 2022 and June 30, 2022, the Group's unused credit line amounted to \$92,274,025, \$96,719,826 and \$92,437,322, 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.

<u>June 30, 2023</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	\$ 71,950,512	\$ 22,848,561	\$ 1,434,627
Short-term notes and bills payable	96,771,337	9,241,566	7,059,048
Notes payable	889,419	-	-
Accounts payable (including related parties)	747,594	-	-
Other payables	5,022,700	-	-
Bonds payable	269,000	17,241,313	9,392,349
Lease liabilities	146,001	117,443	214,216
Long-term loans	296,553	184,781	216,488
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 503,774	\$ 1,068,250	\$ -
<u>December 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	\$ 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	161,987	100,843
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 174,433	\$ 412,367	\$ -
<u>June 30, 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	\$ 62,585,212	\$ 2,131,937	\$ 11,051,187
Short-term notes and bills payable	70,395,810	14,401,048	3,223,824
Notes payable	720,197	-	-
Accounts payable (including related parties)	335,363	-	-
Other payables	4,848,913	-	-
Bonds payable	209,000	209,000	22,408,785
Lease liabilities	117,117	81,163	140,688
Long-term loans	7,767	7,767	145,402
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ -	\$ 228,837	\$ 873,621

(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 June 30, 2023, December 31, 2022 and June 30, 2022 is as follows:

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

June 30, 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	\$ -	\$ 477,300	\$ -	\$ 477,300
Financial assets at fair value through other comprehensive income				
- Equity securities	<u>-</u>	<u>-</u>	<u>20,334</u>	<u>20,334</u>
Total	<u>\$ -</u>	<u>\$ 477,300</u>	<u>\$ 20,334</u>	<u>\$ 497,634</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 1,572,024</u>	<u>\$ -</u>	<u>\$ 1,572,024</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>
June 30, 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	\$ -	\$ 80,271	\$ -	\$ 80,271
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	4,048	4,048
Total	<u>\$ -</u>	<u>\$ 80,271</u>	<u>\$ 4,048</u>	<u>\$ 84,319</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 1,102,458</u>	<u>\$ -</u>	<u>\$ 1,102,458</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
---------------------	---

- 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 six months ended June 30, 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 June 30, 2023	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative - equity instrument: Unlisted shares	\$ 20,334	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 June 30, 2022	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
- equity instrument:					
Unlisted shares	\$ 4,048	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:

June 30, 2023	Book value	Within 12 months	Over 12 months
<u>Assets</u>			
Cash and cash equivalents	\$ 2,123,469	\$ 2,123,469	\$ -
Hedging financial assets - current	477,300	-	477,300
Accounts and notes receivable, net	248,660,556	91,997,589	156,662,967
Other receivables	99,187	99,187	-
Inventories	4,621	4,621	-
Prepayments	7,158,811	5,629,806	1,529,005
Other current financial assets	471,262	471,262	-
<u>Liabilities</u>			
Short-term loans	\$ 95,088,969	\$ 71,132,474	\$ 23,956,495
Short-term notes and bills payable	112,141,113	96,217,436	15,923,677
Hedging financial liabilities-current	1,572,024	503,774	1,068,250
Notes payable	889,419	889,419	-
Accounts payable (including related parties)	747,594	747,594	-
Other payables	5,000,500	5,000,500	-
Current income tax liabilities	705,834	705,834	-
Lease liabilities-current	141,171	141,171	-
Bonds payable	26,200,000	-	26,200,000
Financial guarantee liabilities-current	33,251	33,251	-
Guarantee deposits received-current	4,317,175	1,796,010	2,521,165
Other current liabilities, others	50,761	50,761	-

December 31, 2022	Book value	Within 12 months	Over 12 months
<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	-
<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	-
June 30, 2022	Book value	Within 12 months	Over 12 months
<u>Assets</u>			
Cash and cash equivalents	\$ 1,663,500	\$ 1,663,500	\$ -
Hedging financial assets - current	80,271	-	80,271
Accounts and notes receivable, net	198,964,578	74,082,563	124,882,015
Other receivables	55,594	55,594	-
Inventories	4,518	4,518	-
Prepayments	7,027,472	4,436,207	2,591,665
Other current financial assets	549,374	549,374	-

June 30, 2022	Book value	Within 12 months	Over 12 months
<u>Liabilities</u>			
Short-term loans	\$ 74,959,636	\$ 62,075,690	\$ 12,883,946
Short-term notes and bills payable	87,536,469	70,069,590	17,466,879
Hedging financial liabilities-current	1,102,458	-	1,102,458
Notes payable	720,197	720,197	-
Accounts payable (including related parties)	335,363	335,363	-
Other payables	4,837,270	4,837,270	-
Current income tax liabilities	600,002	600,002	-
Lease liabilities-current	112,654	112,654	-
Bonds payable	22,200,000	-	22,200,000
Financial guarantee liabilities-current	47,553	47,553	-
Guarantee deposits received-current	3,703,681	1,553,764	2,149,917
Other current liabilities, others	59,120	59,120	-

### 13. SUPPLEMENTARY DISCLOSURES

The information of significant transactions for the six months ended June 30, 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: Please refer to table 5.
- 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 June 30, 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 62,600,000	2023/8/7~ 2025/5/2	(\$ 1,572,024)	(\$ 1,572,024)
Hotai Finance Co., Ltd.	Cross-currency swap	EUR 75,000	2024/9/12	\$ 240,251	\$ 240,251
Hoyun International Leasing Co., Ltd.	Cross-currency swap	USD 63,500	2024/8/30~ 2025/1/13	\$ 226,977	\$ 226,977
Hoyun(Shanghai) Commercial Factoring	Cross-currency swap	USD 4,800	2024/10/18	\$ 10,072	\$ 10,072

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies: Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

(a) Amount and percentage of purchase and its balance percentage of the payables: None.

(b) Amount and percentage of sales and its balance percentage of the payables: None.

(c) Property transaction amount and profit or loss arises from: None.

(d) Ending balance and purpose of notes endorsed, guaranteed or pledged as collateral: Please refer to table 2.

(e) Maximum balance, ending balance, interest rate range and total interest of financing during the period: Please refer to table 1.

(f) 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 9.

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	Six months ended June 30, 2023			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 9,121,940	\$ 25,908	\$ -	\$ 9,147,848
Revenue from rental business	2,238,680	2,056,518	-	4,295,198
Revenue from other business	41,958	-	-	41,958
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 11,402,578</u>	<u>\$ 2,082,426</u>	<u>\$ -</u>	<u>\$ 13,485,004</u>
Segment income	<u>\$ 2,322,515</u>	<u>\$ 507,922</u>	<u>(\$ 162,565)</u>	<u>\$ 2,667,872</u>
Segment assets	<u>\$ 251,269,908</u>	<u>\$ 32,664,809</u>	<u>(\$ 2,621,110)</u>	<u>\$ 281,313,607</u>

Items	Six months ended June 30, 2022			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 7,159,609	\$ 25,772	\$ -	\$ 7,185,381
Revenue from rental business	1,731,866	1,724,841	-	3,456,707
Revenue from other business	5,381	-	-	5,381
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 8,896,856</u>	<u>\$ 1,750,613</u>	<u>\$ -</u>	<u>\$ 10,647,469</u>
Segment income	<u>\$ 2,247,370</u>	<u>\$ 605,436</u>	<u>(\$ 226,144)</u>	<u>\$ 2,626,662</u>
Segment assets	<u>\$ 200,166,435</u>	<u>\$ 25,310,755</u>	<u>(\$ 2,554,266)</u>	<u>\$ 222,922,924</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  
Six months ended June 30, 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 six months ended June 30, 2023	Balance at June 30, 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	
												Collateral Item	Value				
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	1.725%	Short-term financing	\$ -	Operational needs	\$ -	None	\$ -	\$ 2,921,443	\$ 5,842,886	Note 1
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Other receivables	Y	2,000,000	2,000,000	-	1.725%	Short-term financing	-	Operational needs	-	None	-	2,921,443	5,842,886	Note 1
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Other receivables	Y	222,367	214,566	85,827	4.00%	Short-term financing	-	Operational needs	-	None	-	5,189,007	10,378,154	Note 2
2	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Other receivables	Y	30,000	30,000	21,000	2.443%	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	30,000	2.443%	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	25,000	2.443%	Short-term financing	-	Operational needs	-	None	-	97,123	194,245	Note3
3	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	-	-	5.00%	Short-term financing	-	Operational needs	-	None	-	295,163	590,326	Note4
3	He Jing Co., Ltd.	B	Accounts receivable	N	30,000	30,000	28,038	5.00%	Short-term financing	-	Operational needs	-	Stock	36,000	295,163	590,326	Note4
3	He Jing Co., Ltd.	C	Accounts receivable	N	85,000	85,000	-	6.25%~10%	Short-term financing	-	Operational needs	-	Real estate	68,000	295,163	590,326	Note4
3	He Jing Co., Ltd.	D	Accounts receivable	N	70,000	70,000	69,000	6%~10%	Short-term financing	-	Operational needs	-	Real estate	82,810	295,163	590,326	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, B, C and D) 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  
Six months ended June 30, 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 June 30, 2023	Outstanding endorsement/ guarantee amount at June 30, 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
		Company name	Relationship with the endorser/ guarantor											
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Subsidiary	\$ 29,214,432	\$ 10,500,000	\$ 10,500,000	\$ 8,300,000	\$ -	35.94%	\$ 29,214,432	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	29,214,432	2,000,000	2,000,000	80,000	-	6.85%	29,214,432	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Subsidiary of a subsidiary	29,214,432	2,223,669	2,145,663	681,299	-	7.34%	29,214,432	Y	N	Y	Note 2
0	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary of a subsidiary	29,214,432	509,487	499,006	491,328	-	1.71%	29,214,432	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)

June 30, 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 June 30, 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	-	\$ 4,235	0.50%	\$ 4,235	
Hotai Finance Co., Ltd.	Ho Chuang Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	100	0.50%	100	
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	15,999	8.00%	15,999	

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

Six months ended June 30, 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 June 30, 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 7 for relevant information.

Hotai Finance Co., Ltd.  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Six months ended June 30, 2023

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate acquired by	Real estate	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship	Information on prior transaction if the counterparty is a related party				Basis or reference used in setting the price	Purpose of acquisition and utilization	Other commitments
							Owner	Relationship with the issuer	Date of transfer	Amount			
Hotai Finance Co., Ltd.	New Taipei City, Sanchong District, Zhongxing Section 28-30, 34-39, Building 5F, Units ABC, and 6F, Units ABCD.	May 4, 2023	\$ 922,360	\$ 92,220	Kuo Yang Construction Co., Ltd.	Non-Related Party	-	-	-	-	Appraised by professional appraisal firm (Note 1)	Future operational requirements	None

Note 1:Reference was made to the appraisal results of Bon-De Real Estate Joint Appraisers Firm (appraisal of \$926,388) and CCIS Real Estate Joint Appraisers Firm (appraisal of \$940,904) and the market price.

Note 2:In May 2023, the Company entered into a real estate contract with a non-related party for purchase of land and buldings in Zhongxing Section, Sanchong District, New Taipei City. As the transfer of ownership has not been completed, they were shown as 'other non-current assets, others'.

Hotai Finance Co., Ltd.  
Significant inter-company transactions during the reporting periods  
Six months ended June 30, 2023

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	1	Management fee income	\$ 17,230	Transaction by contracts	0.13%
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	1	Other receivables	17,230	Transaction by contracts	0.01%
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	1	Management fee and other income	16,657	Transaction by contracts	0.12%
1	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	3	Other receivables	21,000	Note 5	0.01%
1	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%
1	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	3	Other receivables	25,000	Note 5	0.01%
2	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	3	Other receivables	85,827	Note 5	0.03%

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  
Six months ended June 30, 2023

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2023			Net profit (loss) of the investee for the six months ended June 30, 2023	Investment income (loss) recognised by the Company for the six months ended June 30, 2023	Footnote
				Balance as at June 30, 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	\$ 1,258,056	\$ 1,258,056	40,400,000	50.50	\$ 2,621,110	\$ 321,912	\$ 162,565	Subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of passenger car	310,000	310,000	31,000,000	50.82	355,803	25,915	13,170	Subsidiary
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Taiwan	Installment sales of various vehicles	2,430,000	810,000	243,000,000	81.00	2,390,821	24,378	19,746	Subsidiary
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar energy business	800,000	800,000	80,000,000	80.00	755,834	( 26,433)	( 21,146)	Subsidiary
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taiwan	Taxi dispatch service	120,000	120,000	12,000,000	27.40	83,398	( 28,286)	( 7,750)	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	20,939	( 600)	-	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	75,899	( 9,529)	-	Associate
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Taiwan	Solar energy business	9,781	9,781	900,000	90.00	9,120	60	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar energy business	116	116	9,000	90.00	582	529	-	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	( 393)	( 765)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Taiwan	Energy storage business	410,000	-	41,000,000	20.00	408,761	( 6,195)	-	Associate
He Jun Energy Co., Ltd.	Gochabar Co., Ltd.	Taiwan	Charging system technical service	36,000	-	3,600,000	30.00	33,234	( 9,220)	-	Associate
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Taiwan	Solar energy business	42,227	-	4,000,000	100.00	40,425	155	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Taiwan	Electricity retailing business	1,000	-	100,000	100.00	872	( 128)	-	Subsidiary of a subsidiary

Hotai Finance Co., Ltd.  
Information on investments in Mainland China  
Six months ended June 30, 2023

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023	Net income of investee as of June 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2023	Book value of investments in Mainland China as of June 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	\$ 2,491,200	Note 1(2)	\$ 1,258,056	\$ -	\$ -	\$ 1,258,056	\$ 391,386	50.50	\$ 197,650	\$ 2,621,110	\$ 235,118	Note 2(2) B.
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	214,566	Note 1(3)	-	-	-	-	9,695	50.50	4,896	137,089	-	Note 2(2) C.
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	643,699	Note 1(3)	-	-	-	-	20,445	50.50	10,325	295,371	-	Note 2(2) C.
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing of license plate	429	Note 1(3)	-	-	-	( 5)	( 5)	50.50	( 2)	3,172	-	Note 2(2) C.
Hangzhou Wangyou Technology Co., Ltd.	Leasing of license plate	429	Note 1(3)	-	-	-	( 1)	( 1)	50.50	-	921	-	Note 2(2) C.
Homei Consulting (Suzhou) Company Limited	Goods trading business	429	Note 1(3)	-	-	-	( 2)	( 2)	50.50	( 1)	216	-	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 six months ended June 30, 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 June 30, 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.	\$ 1,258,056	\$ 1,259,338	\$ 19,726,889

Hotai Finance Co., Ltd.  
Major shareholders information  
June 30, 2023

Table 9

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