



# HOTAI FINANCE CORPORATION

## 2022 Annual Report

(For the convenience of readers and for information purposes only, the annual report has been translated into English from the original Chinese-language version prepared and used in the Republic of China. In the event of any discrepancy between the English and Chinese versions, or if there are any differences in interpretation between the two versions, the original Chinese version shall prevail.)



# 2022 Annual Report

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# I. Letter to Shareholders

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## 2022 Operational Highlights

In 2022, a slowdown in the overall economic growth was recorded under the effects of the outbreak, the Russia-Ukraine War, inflation, the increase in interest rate by the FED, and other factors; Taiwan came under the global spotlight due to the intensified geopolitics conditions and economic uncertainties. With the backdrop of continuous improvement of products, the annual contracting amount of the Company reached a historical new height and achieved an excellent performance of NT\$138.7 billion, regardless of the challenges in the economic environment. For vehicle installments, our core business, facing the active competition of banks and leasing companies within the industry by way of low-interest rates, the Company adheres to the constant improvement in our corporate culture and continues to launch diversified and customized installment projects to secure the cooperation opportunities with distributors and second-hand car dealers of TOYOTA, LEXUS, and other brands, driving the stable growth in the performance of the overall vehicle installments.

For the installment market of motorcycles, scooters, and other cycles, the Company successfully gained significant growth by optimizing our product policy, reinforcing contact with customers, providing one-on-one premium specialist services, and other strategies. Furthermore, we continued to focus on the cardless installment business for general products (i.e., 3C, cosmetic surgeries, home appliances, renovation, and vehicle maintenance/repair) to satisfy the consumption installment requirements of different customer bases. For the corporate finance business, the Company improved our service quality. It continued to carry out our business expansion by focusing on the supplier channels, developing product policies, and specializing in know-how.

To boost our carrier/bus installment business, we established HeJing Co., Ltd. to integrate the resources of the HINO channel and secure cooperation opportunities with distributors of other brands. Benefiting from the replacement subsidy policy, our annual retained assets amounted to over ten billion. On the other hand, in response to the 2050 Net Zero Emission Policy promulgated by the government, the Company set foot in the green energy industry and established HeJun Energy to strive for a share in the green power market; the contracted capacity for the first year recorded was over 100MW.

As the leader in the car rental business of automobiles and motorcycles, HOING Mobility has continued to expand its car rental and parking lot business. The business scope of roadside rental and return of automobiles and motorcycles has covered six cities. million and growing steadily.

For operations in China, Hoyun International Lease sailed through the effects of the lockdown control. Apart from actively expanding our arrangements for vehicle leases and working with local platforms for online vehicle appointments, we also proactively explored the equipment leasing business, focusing on medical equipment and exploring business opportunities with CR customers. While expanding our business, we also made sure of our asset quality and profitability. In 2022, our net profit after tax reached RMB 0.2 billion, representing a growth of 10% compared to last year.

At the end of 2022, with the continued business growth, the Company's consolidated retained assets were over NT\$250 billion, representing a growth of 26% as compared to last year; the Company's consolidated operating income was NT\$22.79 billion, representing a growth of 26% as compared to last year; the consolidated net profit after tax was NT\$4.07 billion, representing a growth of 15%, and the consolidated earnings per share after tax were NT\$7.04.

## 2023 Business Outlook

In response to the business growth in the future, the Company will continue to reinforce the vehicle installment business through cooperation with TOYOTA, LEXUS, and HINO and organize diverse and attractive installment projects to satisfy the requirements of consumers, improve the penetration rate of different brands, and provide drivers for the growth in the Company's installment business. Furthermore, we will continue expanding the close cooperation with second-hand car dealers (i.e., HOT, HAA car dealers, abc website, certified TOYOTA/LEXUS second-hand cars, and other material

# I. Letter to Shareholders

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channels) to expand our installment business of second-hand cars. On the other hand, we will actively explore the installment market of motorcycles, scooters, and other cycles and continue to develop cardless installment businesses via online and offline brand channels for general products. For the corporate finance business, the Company will continue to focus on four major industrial fields as our major development focus, including medical equipment, construction machines and tools, manufacturing and processing equipment, and corporate finance. Adopting the business philosophy of “Customer First with Professionalism as Foundation,” we will customize exclusive installment plans for customers and provide diversified financial services.

HEJING Co., Ltd. will continue to be in charge of focusing on the installment business of motorcycles. Due to the extension of the replacement subsidy policy and the effects of the rebounded domestic demand, the acquisition demand for carriers and buses will grow steadily. In addition, in response to the long-term environmental protection and energy-saving policies, HEJUN Energy actively invests in the building of solar power plants, energy storage equipment, and charging posts. Meanwhile, we will expand the capacity of the green energy industry financing business and continue to focus on four major fields (energy creation, energy storage, energy use, and green finance) to provide comprehensive green energy integration services so as to realize the prospect of net zero circular economy.

As Taiwan’s epidemic situation slows down and policies are gradually loosened, tourism demand is expected to gradually recover. HOING Mobility Service will continue to expand its business scope to meet consumers’ mobile needs and convenience, with a view to maintaining rent car, Chauffeur, parking lot business and profitability growth pattern.

The scale of Hoyun International Lease in China area continued to grow. With the stabilizing personnel, joints, and business, we will prioritize the reinforcement of business efficiency and management capacity in investing resources in improving the existing operating systems and software/hardware facilities to improve our operating efficiency. In response to the rapid growth in the demand for second-hand cars and new energy vehicles, we will actively expand new growth momentum for our businesses in the hope of recording growth in our vehicle and equipment businesses in 2023 as compared to 2022 and continue to achieve new heights for our operations.

According to the estimate of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate in 2023 will be 2.12%, which is 0.33% lower than the growth rate of 2.45% in 2022. Looking forward to 2023, although geopolitics, inflationary pressure, and weak global economic demand continue into 2023, Taiwan has already relaxed its pandemic prevention policy and is benefiting from the extension of the policy of replacing old automobiles and motorcycles with new ones, the return of Taiwanese businessmen to invest in Taiwan or the establishment of factories by domestic operators, as well as the ESG green energy business opportunities of interests to enterprises, the domestic consumption power and the recovery of related industries are expected to continue to revitalize the automotive market, and car dealers estimate that the size of the new car market in Taiwan may reach 450,000 units in 2023. The market share of TOYOTA+LEXUS+HINO is expected to grow further, and the synergies of the Group's resource integration will be further increased.

We are sincerely grateful to our shareholders for your continued support and encouragement. Wishing you good health and great fortune!

Liu, Yuan-Sheng  
*Chairman*

## II. Corporate Overview

2.1 Date of Incorporation: May 25, 1999.

### 2.2 Company Timeline

1999	May	Hotai Finance Corporation (“HFC”) is incorporated with the investment from Hozan Investment Co., Ltd. and six other companies, having NT\$300 million in registered capital.
2001	August	NT\$198 million cash is injected into the capital in order to raise capital adequacy ratio as required by business needs.
2002	December	Toyota Financial Services Corporation (100% wholly owned by Toyota Motor Corporation) becomes a shareholder of HFC, holding 33.34% of the shares.
2005	January	NT\$256 million cash is injected into the capital to meet business needs.
2007	March	HFC, together with Hotai Leasing Co., Ltd., incorporate Hotai International Leasing Co., Ltd. for the purpose of business development in China’s leasing market.
	May	HFC begins to offer equipment leasing services.
	July	HFC is rated twAA- and twA-1+ respectively in long-term and short-term issue credit ratings by Taiwan Ratings.
	October	HFC becomes ISO 9001 certified.
2011	September	HFC, together with Kao Du Automobile Co., Ltd., incorporate Horung Motors Co., Ltd. (“Horung Motors”), a CPO dealership.
2013	February	HFC, together with Central Motor Co., Ltd., incorporate Hojung Motors Co., Ltd. (“Hojung Motors”), a CPO dealership.
	October	HFC, together with Tau Miao Motor Co., Ltd., incorporate Hohung Motors Co., Ltd. (“Hohung Motors”), a CPO dealership.
2015	June	HFC receives the Top 10 Best Business of the Year Award at the 12 <sup>th</sup> Golden Torch Awards hosted by the Outstanding Enterprise Manager Association.
2016	August	HFC’s initial public offering request is approved by the Taipei Exchange (Stock Code: 6592)
	October	HFC is named the top business enterprise nationwide in the Outstanding Enterprise Category in the 13 <sup>th</sup> National Brand Yushan Awards.
		HFC receives the Good Merchant Award at the 2016 Merchant’s Day event hosted by the Taipei Chamber of Commerce.
		For the purpose of integrating group resources, lowering operational costs and maximizing synergy, the board of HFC has approved the sale of Horung Motors, Hohung Motors, and Hojung Motors to its dealers; the transaction is to be closed by December of the same year.
2017	September	HFC is named one of the Top 10 Outstanding Enterprises at the 18 <sup>th</sup> Golden Peak Award hosted by the Outstanding Enterprise Manager Association.
		HFC receives the Taiwan Quality Assurance Golden Award at the 16 <sup>th</sup> annual event hosted by the Chinese Industry Commerce Economy Trade Science & Technology Development Association.
	November	HFC is honored with the 2017 Good Merchant Award by the Central Chamber of Commerce of the Republic of China, and receives accolade and the Golden Merchant Award from the Ministry of Economic Affairs.
2018	October	HFC receives approval from the Taipei Exchange to list and trade its shares as emerging stocks.
		HFC is honored with the Outstanding Sustainable Business Award at the 2018 Conference on Ethics and Sustainable Development (CESD).

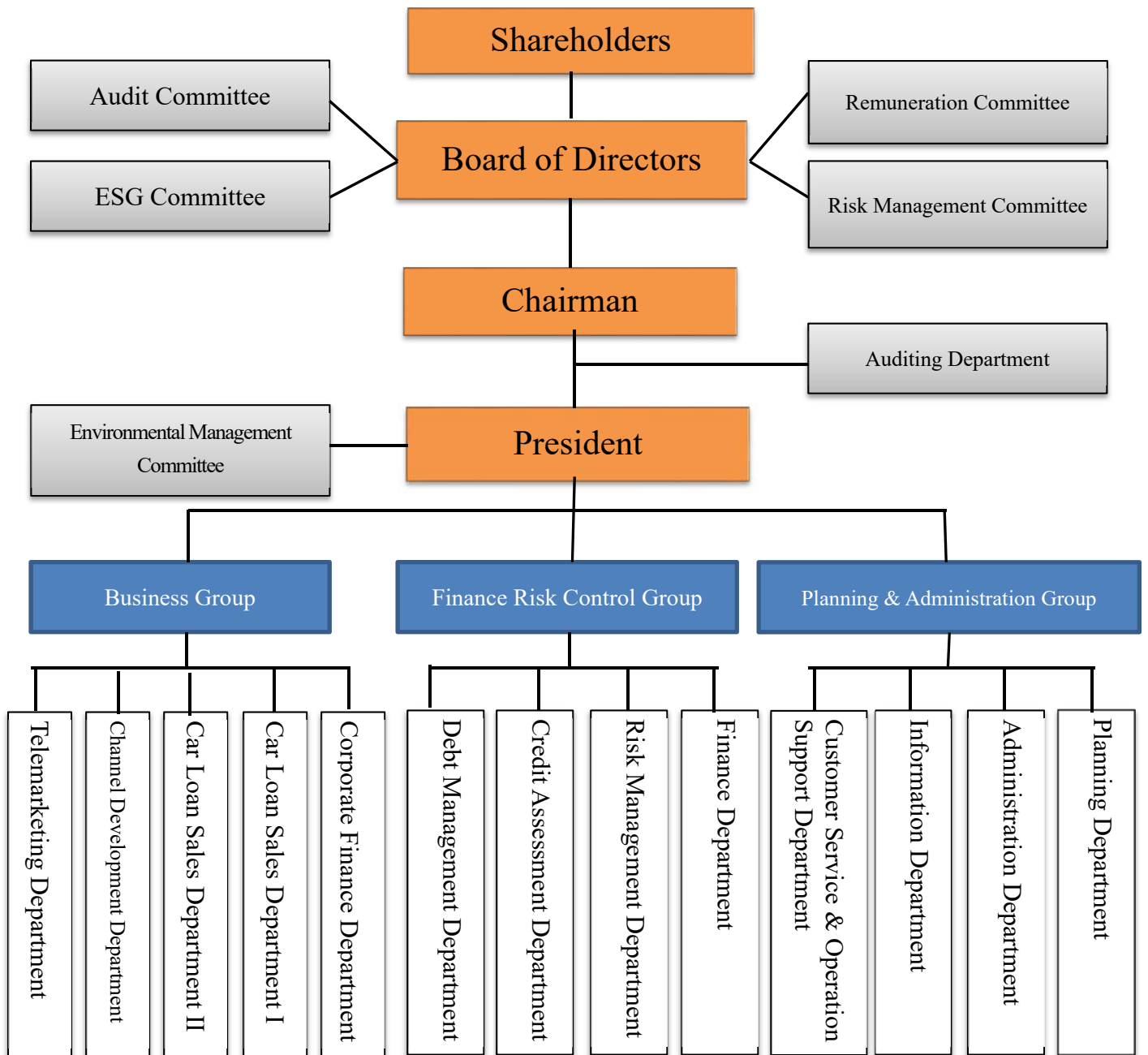
## II. Corporate Overview

2019	May	HFC celebrates its 20 <sup>th</sup> anniversary.
	December	A NT\$1,403,900 thousand cash injection is made to HFC, resulting in a total of NT\$5.15 billion in its paid-in capital; HFC shares are now traded on the TWSE's centralized securities trading market.
2020	March	HFC invests NT\$310 million cash in the capital increase of Hoing Mobility Service Co., Ltd., venturing into the vehicle sharing industry.
	August	For the first time, HFC receives "Long-term BBB and Short-term A-2" rating from Standard & Poor's.
	August	HFC participates in a cash capital increase of NT\$120 million for Hotai Mobility Service Co., Ltd. to join hands in driving mobile services (Maas).
2021	August	For the first time, HFC is selected as one of the constituent stocks of the "TWSE Corporate Governance 100 Index".
	October	HFC is selected by the Ministry of Finance as "Outstanding Business Entity of 2021".
		HFC, together with Hozao Enterprise Co., Ltd., incorporate He Jing Co., Ltd. for the purpose of HINO channel resources integration within the Hotai Group, and the development facilitation of large commercial vans and vehicles installment business.
November	For the first time, HFC has participated in the Taiwan Corporate Sustainability Awards, and received the Growth through Innovation Leadership Award and the Corporate Sustainability Report Bronze Award.	
2022	February	HFC, together with Hotai Motor Co., Ltd. and Hoyu Investment Co., Ltd., incorporate He Jun Energy Co., Ltd. for the purpose of green energy industry development.
	May	HFC firstly becomes ISO 14064-1:2018 certified.
	July	HFC is honored with the international prize "Asia Responsible Enterprise Awards" for the first time.
		HFC is rated twAA- and twA-1+ respectively in long-term and short-term issue credit ratings by Taiwan Ratings for sixteen consecutive years.
		For the second time, HFC is selected as one of the constituent stocks of the "TWSE Corporate Governance 100 Index".
	August	HFC receives "Long-term BBB and Short-term A-2" rating from Standard & Poor's for three consecutive years.
		HFC is honored with "HR ASIA Best Companies to Work For in Asia 2022".
	October	HFC is selected by the Taipei Chamber of Commerce as "the 76 <sup>th</sup> Session of the Outstanding Enterprise.
		HFC becomes ISO 9001 certified for sixteen consecutive years.
	November	HFC has participated in the Taiwan Corporate Sustainability Awards for two consecutive years, and received the Corporate Sustainability Report Golden Award.
December	HFC becomes ISO 27001 certified.	

# III. Corporate Governance

## 3.1 Organizational Structure

### 3.1.1 Organizational Chart (March 31,2023)





### III. Corporate Governance

#### 3.1.2 Primary Business Functions

Department	Responsibility
Auditing Department	<ol style="list-style-type: none"> <li>1. Establish, implement and review internal control and audit systems</li> <li>2. Manage the audit of the company's operations and finances</li> </ol>
Planning Department	<ol style="list-style-type: none"> <li>1. Product policies: formulate product policies and design internal and external business operation</li> <li>2. Marketing activities: devise and execute marketing campaigns and propose annual marketing plans</li> <li>3. Advertising and promotion: conduct media planning and execute advertising and promotional campaigns; prepare advertising and promotional materials</li> <li>4. Process improvement: improve operating procedures, enhance operating systems, and reinforce website security protocols</li> </ol>
Administration Department	<ol style="list-style-type: none"> <li>1. Human resources: manage employee recruitment, salary, performance review, attendance, and other administrative work</li> <li>2. Continuing education: plan and execute employee training</li> <li>3. Administration: oversee purchasing, construction, asset management, employee welfare committee and other miscellaneous matters</li> </ol>
Information Department	<ol style="list-style-type: none"> <li>1. Information security and management</li> <li>2. Develop and manage the operation systems of installment and equipment business, finance, personnel, etc.</li> <li>3. Purchase and maintenance of office software and hardware</li> </ol>
Customer Service & Operation Support Department	<ol style="list-style-type: none"> <li>1. Review and maintain documentation related to various obligations</li> <li>2. Process early termination/termination upon contract expiration and online setups</li> <li>3. Process installment loan disbursement</li> <li>4. Respond to customer feedbacks and process customer complaints</li> </ol>
Finance Department	<ol style="list-style-type: none"> <li>1. Installment business accounts processing</li> <li>2. Corporate business accounts processing</li> <li>3. Tax related matters: prepare business tax and income tax returns, withholding tax returns, and provisional tax returns.</li> <li>4. Company budgets</li> <li>5. Preparation of meeting materials: monthly operations report, board meetings, and shareholders' meetings.</li> <li>6. Allocate funds</li> <li>7. Investor rights maintenance, public relations promotion, and corporate social responsibility matters</li> <li>8. Business Planning Office: annual business planning &amp; follow-up, joint-venture management, and new business model development</li> </ol>
Risk Management Department	<ol style="list-style-type: none"> <li>1. Risk management policy and risk management training</li> <li>2. Credit rating system: develop credit rating models, implement credit rating practices, and monitor credit rating models</li> <li>3. Risk management system: monitor key risk indicators (KRIs) and provide warnings; quantify asset quality; provide anomaly detection analysis and report</li> </ol>
Credit Assessment Department	<ol style="list-style-type: none"> <li>1. Review of car loans and business financing installment: conduct review on applications submitted</li> <li>2. Credit information data management: use and maintain credit information retrieved through inquiries to the Joint Credit Information Center.</li> </ol>

### III. Corporate Governance

Department	Responsibility
Debt Management Department	<ol style="list-style-type: none"> <li>1. Collections on defaulted loans of cars and motorcycles</li> <li>2. Collections on defaulted loans of general commodities</li> <li>3. Collections on defaulted loans of business financing</li> <li>4. Regulatory compliance: strengthen internal control, enhance internal governance, ensure legal actions, prevent money laundering, and conduct legal training.</li> </ol>
Corporate Finance Department	<ol style="list-style-type: none"> <li>1. Responsible for the development and maintenance of medical and IT, construction, machine tools, and other related installment business.</li> <li>2. Responsible for the development and maintenance of corporate finance, raw material installment business, and assisting enterprises in short, medium, and long term capital planning.</li> <li>3. Business affairs processing:               <ol style="list-style-type: none"> <li>(1) Credit investigation for equipment cases</li> <li>(2) Identity verification for approved cases</li> <li>(3) Disbursement of installment payment/commission/promotion fees</li> <li>(4) Set-up of guarantee for movable property</li> </ol> </li> </ol>
Car Loan Sales Department I	<ol style="list-style-type: none"> <li>1. Development and maintenance of car loan business in areas north of Miaoli:               <ol style="list-style-type: none"> <li>(1) Maintain and develop car loan business involving new vehicles of Toyota, Lexus, and other brands</li> <li>(2) Maintain and develop auto financing of CPO/used cars and car refinance business</li> </ol> </li> <li>2. Processing of car loans               <ol style="list-style-type: none"> <li>(1) Conduct credit investigation on applicants who are new Toyota and Lexus car owners (excluding commercial vehicles)</li> <li>(2) Maintain information in the installment loan data system</li> <li>(3) Conduct identity verification on approved applicants</li> <li>(4) Disburse installment loan/commission/promotional fee</li> <li>(5) Accept and manage loan application documents</li> <li>(6) Create liens on cars</li> </ol> </li> </ol>
Car Loan Sales Department II	<ol style="list-style-type: none"> <li>1. Development and maintenance of car loan business in the area south of Taichung:               <ol style="list-style-type: none"> <li>(1) Maintain and develop car loan business involving new vehicles of Toyota, Lexus, and other brands</li> <li>(2) Maintain and develop auto financing of CPO/used cars and car refinance business</li> </ol> </li> <li>2. Processing of car loans               <ol style="list-style-type: none"> <li>(1) Conduct credit investigation on applicants who are new Toyota and Lexus car owners (excluding commercial vehicles)</li> <li>(2) Maintain information in the installment loan data system</li> <li>(3) Conduct identity verification on approved applicants</li> <li>(4) Disburse installment loan/commission/promotional fee</li> <li>(5) Accept and manage loan application documents</li> <li>(6) Create liens on cars</li> </ol> </li> </ol>
Channel Development Department	<ol style="list-style-type: none"> <li>1. Maintain and develop installment loan business of outside agents</li> <li>2. Maintain and develop business of scooters and motorcycles</li> <li>3. Maintain and develop business related to general commodities</li> </ol>
Telemarketing Department	<ol style="list-style-type: none"> <li>1. Existing customer list contact and new business development</li> <li>2. Use marketing materials to respond to potential customer's needs and develop sales</li> <li>3. Use internet marketing to explore potential customers and response to their needs</li> <li>4. Process incoming cases and identity verification through video</li> </ol>

### III. Corporate Governance

#### 3.2 Directors, President, Vice President, Senior Managers, and Department and Divisional Executive Officers

##### 3.2.1 Directors

##### (1) Directors roster

April 2, 2023; unit: shares

Title	Name	Gender Age	Nationality or Place of Registration	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Chairman	Hozan Investment Co., Ltd.,	—	Taiwan	July 22, 2021	3years	June 23, 2012	233,782,831	45.39%	233,782,831	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Liu, Yuan-Sheng	Male 65	Taiwan				— (Note 1)	—	— (Note 1)	—	—	—	—	—	—	Master's in Sanminism, National Chengchi University Executive Vice President, Hotai Motor Co., Ltd.	Executive Vice President, Hotai Motor Co., Ltd. Chairman, Hotai Leasing Co., Ltd. Chairman, Hozao Enterprise Co., Ltd. Chairman, He Jing Co., Ltd. Chairman, He Jun Energy Co., Ltd. Director, Hotai Insurance Co., Ltd. Director, Zheng Ren Energy Co., Ltd. Director, Heng Fong Energy Co., Ltd.	—	—
Director	Hozan Investment Co., Ltd.	—	Taiwan	July 22, 2021	3years	June 25, 2002	233,782,831	45.39%	233,782,831	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Su, Chwen-Shing	Male 57	Taiwan				— (Note 1)	—	— (Note 1)	—	—	—	—	—	MBA, Massachusetts Institute of Technology Director and President, Hotai Motor Co., Ltd. Chairman, Carmax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Chairman, Hotai Cyber Connection	Director and President, Hotai Motor Co., Ltd. Chairman, Hozan Investment Co., Ltd. Chairman, Carmax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Chairman, Hotai Cyber Connection Vice Chairman, Kuozui Motors Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd. Director, Li Gang Enterprise Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Director, Hoyun International Leasing Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Supervisor, Denso Taiwan Corp. Supervisor, CJ Holding Co., Ltd.	—	—	—

### III. Corporate Governance

Title	Name	Gender Age	Nationality or Place of Registration	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Director	Hozan Investment Co, Ltd.	—	Taiwan				233,782,831	45.39%	233,782,831	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Roger Huang	Male 43	U.S.A.	July 22, 2021	3years	May 29, 2019	— (Note 1)	—	— (Note 1)	—	—	—	—	—	PhD, Department of Aquaculture, National Taiwan Ocean University Managing Director, Wei-Chuan U.S.A., Inc.	Managing Director, Wei-Chuan U.S.A., Inc. Director, Hozao Enterprise Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Chun Ching Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Heyu Toyota Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Shanghai Jiading Heling Lexus Motor Service Co., Ltd. Director, Tianjin Binhai New Area Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Shanghai Fengyi Construction Decoration Limited Company Supervisor, Chang Yuan Motor Co., Ltd.	—	—	—

### III. Corporate Governance

Title	Name	Gender Age	Nationality or Place of Registration	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
	Hozan Investment Co, Ltd.,	—	Taiwan				233,782,831	45.39%	233,782,831	45.39%	—	—	—	—	—	—	—	—	—
Director	Representative, Leon Soo	Male 51	Taiwan	July 22, 2021	3years	June 29, 2015	— (Note 1)	—	— (Note 1)	—	—	—	—	Wharton School of the University of Pennsylvania Director, Hotai Motor Co., Ltd.	Chairman, Shanghai Fengyi Construction Decoration Limited Company Chairman, Shanghai Hede Used Cars Operation Co., Ltd. Vice Chairman, Hoyo Investment Co., Ltd. Vice Chairman, Hotong Motor Investment Co., Ltd. Director, Hotai Motor Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Formosa Flexible Packaging Corp Director, Kuozui Motors Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd. Managing Director and President, Shanghai Guangxin Culture Media Co., Ltd. Managing Director and President, Shanghai Ho-Mian Auto Technology Co., Ltd. Managing Director and President, Tianjin Yongda Communication Technology Co., Ltd. Managing Director, Shanghai Zhongxin Traffic Facility Engineering Co., Ltd. Managing Director, Shanghai Hochen Auto Technology Co., Ltd. Director, Hoyun International Leasing Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Guangzhou Guangqi Commercial Changhe Automobile Technology Co., Ltd. Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Director, Tianjin Ho-Yi International Trading Co., Ltd. Director, Tianjin Binhai New Area Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Director, Taiyuan Zhong Du Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Director, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanjing Hozhan Motor Service Co., Ltd. Director, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Ho-Con Finance Leasing Co., Ltd. Supervisor, He Jing Co., Ltd.	—	—	—	

### III. Corporate Governance

Title	Name	Gender Age	Nationality or Place of Registration	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
	Hozan Investment Co, Ltd.	—	Taiwan				233,782,831	45.39%	233,782,831	45.39%	—	—	—	—	—	—	—	—	—
Director	Representative, Ryan Huang	Male 47	Taiwan	July 22, 2021	3 years	June 23, 2009	— (Note 1)	—	—	—	10,000 (Note 1)	0.00%	—	—	Kellogg School of Management and Hong Kong University of Science and Technology, MBA  Vice Chairman, Hoyun International Leasing Co., Ltd.	Vice Chairman, Hoyun International Leasing Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Ho-An Insurance Agency Co., Ltd. Director, Ho-Chuang Insurance Agency Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Director, Shanghai Fengyi Construction Decoration Limited Company Director, Shanghai Hede Used Cars Operation Co., Ltd. Director, Tianjin Ho-Yi International Trading Co., Ltd. Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Supervisor, Triples Information Co., Ltd. Supervisor, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd Supervisor, San Xing (Shanghai) Business Management Consulting Co., Ltd. Supervisor, Guangzhou Guangqi Commercial Changhe Automobile Technology Co., Ltd. Supervisor, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Supervisor, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Supervisor, Tianjin Binhai New Area Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Nanjing Hozhan Motor Service Co., Ltd. Supervisor, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	—	—	—

### III. Corporate Governance

Title	Name	Gender Age	Nationality or Place of Registration	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Director	Toyota Financial Services Corporation	—	Japan	April 1, 2023	3 years	April 1, 2023	118,249,872	22.96%	118,249,872	22.96%	—	—	—	—	—	—	—	—	—
	Representative, Shin Abe	Male 48	Japan				— (Note 1)	—	— (Note 1)	—	—	—	—	—	—	Faculty of Law, Chuo University Vice President, Toyota Motor Asia Pacific Pte Ltd. Vice President, Toyota Financial Services Corporation	Vice president, Toyota Financial Services Corporation APR Director, Hotai Leasing Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Hoyun International Leasing Co., Ltd. Director, Toyota Financial Services Singapore Director, SGCM PTE. Ltd. Director, QUOTZ PTE. Ltd. Director, QUOTZ (TAIWAN) PTE. Ltd.	—	—
Independent Director	Huang, Ming-You	Male 69	Taiwan	July 22, 2021	3 years	November 7, 2018	—	—	—	—	—	—	—	—	Department of Accounting, Soochow University Deputy Chairman, PricewaterhouseCoopers Taiwan Vice Chairman, PwC Tax Consulting Co., Ltd.	Chairman, Chuancheng Investment Consulting Co., Ltd. Chairman, Chuancheng Wangwang Investment Co., Ltd. CPA, Zhicheng Accounting Firm Independent Director, Zinwell Corporation Independent Director, Taroko Textile Corporation Independent Director, Solomon Technology Co., Ltd. Director, Ascent Development Co., Ltd. Director, Crazy Play Inc. Director, Bole Film Co., Ltd. Director, Jollify4ever Co., Ltd. Director, Jollify Venture Co., Ltd. Director, Nankang Rubber Tire Corp., Ltd.	—	—	—
Independent Director	Mao, Wei-Lin	Male 70	Taiwan	July 22, 2021	3 years	September 26, 2019	—	—	—	—	—	—	—	—	PhD in Economics, The University of Texas at Austin Professor and chair of the Department of Economics, National Chengchi University Independent Director, Bank of Taiwan Securities Co., Ltd.	—	—	—	

Note 1: These represent the number and percentage of shares held by representatives of corporate shareholders as natural persons, calculated based on the issued and outstanding shares at the time of appointment and as of the date of this annual report.

### III. Corporate Governance

[3.2.1 continued]

(2) Major shareholders of corporate shareholders

April 2, 2023

Name of Corporate Shareholder	Major Shareholder
Hozan Investment Co, Ltd.	Hotai Motor Co., Ltd. (100%)
Toyota Financial Services Corporation	Toyota Motor Corporation (100%)

(3) In cases where the major shareholders of the above corporate shareholders are also corporations, the following are their major shareholders:

April 28, 2023

Company Name	Major Shareholders
Hotai Motor Co., Ltd.	Hoyu Investment Co., Ltd. (8.84%), Toyota Motor Corporation (8.13%), Li Gang Enterprise Co., Ltd. (7.43%), Jin Yuan Shan Investment Co., Ltd. (6.60%), Cheng Sun Trading Co., Ltd. (4.50%), Shen Rong Investment Co., Ltd. (3.11%), Yuan Tuo Investment Co., Ltd. (2.68%), Jin Ji Investment Enterprise Co., Ltd. (2.50%), Zhi Geng Development Co., Ltd. (2.43%), and Tai Zhang Investment Co., Ltd. (2.29%)
Toyota Motor Corporation	Japan Trustee Service Bank, Ltd. (11.72%)、 Toyota Industries Corporation (7.31%)、 Custody Bank of Japan, Ltd. (5.90%)、 Nippon Life Insurance Company (3.89%)、 JP Morgan Chase Bank, N.A. (3.14%)、 Denso Corporation (2.76%)、 State Street Bank&Trust Company(2.08%)、 The Bank of New YorkMellon (1.81%)、 Mitsui Sumitomo Insurance Company, Limited (1.74%)、 Tokio Marine & Nichido Fire Insurance Co., Ltd. (1.56%)



### III. Corporate Governance

#### (4) Professional qualifications and independence analysis of directors

Name	Criteria	Professional Qualification and Experience	Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Liu, Yuan-Sheng	(1) Graduated from the Graduate Institute of Sanminism, National Chengchi University; is the Executive Vice President of Hotai Motor Co., Ltd., and the Director of Hotai Insurance Co., Ltd. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Su, Chwen-Shing	(1) Graduated from the Massachusetts Institute of Technology; is the Vice Chairman of Kuozui Motors Co., Ltd., and the President of Hotai Motor Co., Ltd. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Rouger Huang	(1) Obtained a PhD from the Department of Aquaculture of the National Taiwan Ocean University; is the Managing Director of Wei-Chuan U.S.A., Inc. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Leon Soo	(1) Graduated from the Wharton School of the University of Pennsylvania; is the Vice Chairman of Hotong Motor Investment Co., Ltd. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Ryan Huang	(1) Graduated from Kellogg School of Management and Hong Kong University of Science and Technology ; is the Vice Chairman of Hoyun International Leasing Co., Ltd. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Masayoshi Hori (Note 2)	(1) Graduated from Kwansei Gakuin University; is the DCEO of APR, Toyota Financial Service Corporation; (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Shin Abe (Note 2)	(1) Graduated from Chuo University; is the Vice President, Toyota Motor Asia Pacific Pte Ltd. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		Not concurrently act as a managerial personnel of another company	0
Huang, Ming-You	(1) Graduated from the Department of Accounting, Soochow University; was the Deputy Chairman and CPA of the PricewaterhouseCoopers Taiwan; has been in the accounting field for more than 30 years; is a Certified Public Accountant (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		(1) Independent Director as well as his/her spouse and relative within the second degree of kinship are not directors, supervisors, or employees of HFC or any of its affiliates. (2) Independent Director as well as his/her spouse and minor children do not hold any HFC shares. (3) Independent Director has not held any position at the companies with specific relationships with HFC. (Note 1) (4) Independent Director has not provided any service to HFC or any of its affiliates within the preceding two years.	3
Mao, Wei-Lin	(1) Graduated from the National Chengchi University, and obtained a PhD in Economics from the University of Texas at Austin; has been teaching in the National Chengchi University for 32 years and was a professor and chair of the National Chengchi University. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		(1) Independent Director as well as his/her spouse and relative within the second degree of kinship are not directors, supervisors, or employees of HFC or any of its affiliates. (2) Independent Director as well as his/her spouse and minor children do not hold any HFC shares. (3) Independent Director has not held any position at the companies with specific relationships with HFC. (Note 1) (1) Independent Director has not provided any service to HFC or any of its affiliates within the preceding two years.	0

Note 1: The companies with specific relationships with HFC refer to the companies as stipulated under Article 3, Paragraph 1, Subparagraph 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

Note 2: The Corporate Director, Toyota Financial Services Co., Ltd., reassigned its representative from Masayoshi Hori to Shin Abe on 2023/4/1.

### III. Corporate Governance

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#### (5) Board Diversity and Independence

1. Board Diversity: Here describes the diversity policy within the Board of Directors, and its goals and progress. The policy includes but not limits to the selection criteria of directors, the requirement of professional qualification and experience of directors, and their composition or the ratio of gender, age, nationality, culture background, etc. The following describes the concrete goals and current progress of the policy.

Following Article 20, Paragraph 3 of the Corporate Governance Best Practice Principles of the Company, the composition of our Board of Directors shall take diversity into account, the percentage of the directors who concurrently serve as the Company's officers shall not exceed one-third of the total number of the Board of Directors, and an appropriate diversity policy shall be established to accommodate the Company's operation, business model, and development needs. Currently, we have eight Directors. Two of them are independent directors, accounting for 25% of the Board and their service years are all less than five years. Also, none of our directors is an employee of the Company.

In the 2021 election, taking our current development needs into consideration, no female Director was elected. In future elections, the number of female Directors will be evaluated. Female Directors are preferred on the premise that the Company's needs are met, and the number of female directors will gradually increase. Currently, there are three directors aged 41 to 50, two directors aged 51 to 60, three directors aged 61 to 70. Some of our directors have practical and management experience in the automotive and related industries, and some possess professional experience in finance, technology, advertising, media, accounting, and economic analysis, which has demonstrated the diversity of our Board composition. In addition to professional skills and practical experience, we value our Board members' personal reputation in respect of ethics and leadership. To strengthen the functionality of the Board and achieve the goals of corporate governance, the Board of Directors shall possess the following abilities: (i) ability to make operational judgements, (ii) accounting and financial analytical skills, (iii) management and administration, (iv) crisis management, (v) industry knowledge, (vi) global market perspective, (vii) leadership, and (viii) decision-making ability, which are stipulated under Article 20 of the Corporate Governance Best Practice Principles of the Company. The following shows the execution status of our diversity policy.

### III. Corporate Governance

Name	Nationality	Gender	Age			Ability to Make Operational Judgments	Accounting and Financial Analytical	Management and Administration	Crisis Management	Industry Knowledge	Global Market Perspective	Leadership	Decision-making Ability
			41~50	51~60	61~70								
Liu, Yuan-Sheng	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Su, Chwen-Shing	Taiwan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Roger Huang	U.S.A.	Male	✓			✓	-	✓	✓	✓	✓	✓	✓
Leon Soo	Taiwan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Ryan Huang	Taiwan	Male	✓			✓	✓	✓	✓	✓	✓	✓	✓
Shin Abe (Note 1)	Japan	Male	✓			✓	✓	✓	✓	✓	✓	✓	✓
Huang, Ming-You	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Mao, Wei-Lin	Taiwan	Male			✓	✓	✓	-	✓	✓	✓	-	✓

Note 1: The Corporate Director, Toyota Financial Services Co., Ltd., reassigned its representative from Masayoshi Hori to Shin Abe on 2023/4/1.

2. Board Independence: The two independent directors constitute two-ninth of the total number of the Board of Directors. All the directors faithfully carry out their duties. The Board of Directors is independent and functions well. There is no marital or is within the second of kinship relationship between or among the directors and the independent directors.

### III. Corporate Governance

#### 3.2.2 President, Vice President, Directors, and Department and Divisional Executive Officers

April 2, 2023; Unit: Shares

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
					Number	%	Number	%	Number	%			Title	Name	Relation
President	Taiwan	Lin, Yen-Liang	Male	July 1, 2016	134,000	0.03%	—	—	—	—	MBA, University of Memphis, USA Marketing Manager, Fuwan Co., Ltd.	Chairman, Hoyun International Leasing Co., Ltd. Managing Director, Hoyun (Shanghai) Commercial Factoring Co., Ltd. Managing Director, Hoyun (Shanghai) Vehicle Leasing Ltd. Director, Hoing Mobility Service Co., Ltd. Director and President, Hozao Enterprise Co., Ltd. Director and President, He Jing Co., Ltd. Director and President, He Jun Energy Co., Ltd. Chairman, Wei Tien Energy Storage Co., Ltd. Chairman, Guang Yang Energy Co., Ltd. Chairman, ChaoYang Energy Co., Ltd. Chairman, XianYao Energy Co., Ltd. Chairman, HEJUN Electricity Co., Ltd. Vice Chairman, Gochabar Co., Ltd. Director, Perpetual New Energy Co. Ltd Chairman, Tung Ching Energy Co., Ltd. Supervisor, Hotai Mobility Service Co., Ltd.	—	—	—
Vice President	Taiwan	Liao, Wen-Chun	Male	August 6, 2020	2,000 2,000*	0.00% 0.00%*	—	—	—	—	Master's in Business Administration, Chung Yuan Christian University Director, GE Capital Taiwan	Director, He Jing Co., Ltd.	—	—	—
Vice President	Taiwan	Lin, Jui-Chi	Male	January 1, 2022	—	—	—	—	—	—	Department of Japanese Language and Culture, Soochow University Manager, Yulon Finance Corporation	—	—	—	—
Senior Manager	Taiwan	Tu, Chun-I	Male	December 1, 2021	49,000	0.01%	66,000	0.01 %	—	—	Department of Law, Fu Jen Catholic University	—	—	—	—
Senior Manager	Taiwan	Liao, Chin-Tso	Male	January 1, 2022	20,000 10,000*	0.00% 0.02%*	—	—	—	—	Graduate Institute of Management Science, National Chiao Tung University Division Chief, Fuwan Co., Ltd.	—	—	—	—
Senior Manager	Taiwan	Yang, Kai-Jung	Male	February 1, 2023	—	—	—	—	—	—	Graduate Institute of Management, University of Inowa Vice President, CTBC Bank Co., Ltd.	Supervisor, Guang Yang Energy Co., Ltd. Supervisor, ChaoYang Energy Co., Ltd. Supervisor, XianYao Energy Co., Ltd.	—	—	—

### III. Corporate Governance

#### 3.3 Remuneration of Directors, President, Vice President, and Senior Managers in the Last Fiscal Year

##### 3.3.1 Remuneration of Directors and Independent Directors (names are disclosed by salary range)

Unit: NT\$ thousands

Title	Name	Remuneration of Directors								Total Remuneration (A+B+C+D) and its Percentage of Net Income		Compensation Received by a Director Who is an Employee of the Company and/or any Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) and its Percentage of Net Income		Compensation from reinvested businesses or parent company other than subsidiaries
		Base Compensation (A)		Compensation for Loss of Office/Retire- ment (B)		Compensati- on to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Compensation for Loss of Office/Retirement (F)		Profit Sharing (G)						
		From HFC	From All Consoli- dated Entities	From HFC	From All Consoli- dated Entities	From HFC	From All Conso- lidated Entitie- s	From HFC	From All Consoli- dated Entities	From HFC	From All Consolidat- ed Entities	From HFC	From All Consolidat- ed Entities	From HFC	From All Consolidated Entities	From HFC		From All Consolidated Entities		From HFC	From All Consolidate- d Entities	
														Cash	Stock	Cash	Stock					
Director	Hozan Investment Co, Ltd	1,800	3,002	-	-	-	-	118	188	1,918 0.05%	3,190 0.09%	527	723	-	-	82	-	82	-	2,527 0.07%	3,995 0.11%	46,494
	Liu, Yuan-Sheng (authorized representative of Hozan Investment Co., Ltd)																					
	Su, Chwen-Shing (authorized representative of Hozan Investment Co., Ltd.)																					
	Roger Huang (authorized representative of Hozan Investment Co., Ltd)																					
	Leon Soo (authorized representative of Hozan Investment Co., Ltd.)																					
	Ryan Huang (authorized representative of Hozan Investment Co., Ltd)																					
	Toyota Financial Services Corporation																					
Masayoshi Hori (Note 2) (Authorized representative of Toyota Financial Services Corporation)																						
Independent Director	Huang, Ming-You	1,980	1,980	-	-	-	-	185	185	2,165 0.06%	2,165 0.06%	-	-	-	-	-	-	-	-	2,165 0.06%	2,165 0.06%	-
	Mao, Wei-Lin																					
	Hu, Han-Miao (Note 3)																					

1. Briefly describe the policy, system, standard and structure applied to independent director remuneration, and the relevancy between remuneration and factors such as their duties and responsibilities, risks borne, time invested: We pay our independent directors based on the policies set out in our *Articles of Incorporation*, which also takes into consideration the industry salaries. The Board of Directors is authorized to propose independent director remuneration, which would then be reviewed by the Remuneration Committee and submitted to the board of directors for final approval; their remuneration has a positive correlation to business performance.

2. Remuneration received by any director of HFC for the services provided (e.g., as a non-employee advisor to the parent company, the consolidated entities included in HFC's latest financial report, and the reinvested businesses): None

Note 1: Net income shall mean the net income of the last fiscal year (FY2021); net income attributable to equity holders of the parent company in both the separate and consolidated financial statements of HFC was 3,623,387 thousand.

Note 2: Masayoshi Hori was relieved from office upon the reassignment by the Corporate Director on April 1, 2023.

Note 3: Hu, Han-Miao resigned on September 30, 2022 due to personal factors.

### III. Corporate Governance

#### Director Remuneration by Range

Director Remuneration	Names of Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From HFC	From All Consolidated Entities H	From HFC	From All Consolidated Entities I
NT\$ 0 – NT\$ 999,999	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Liu, Yuan-Sheng, Su, Chwen-Shing, Leon Soo, Roger Huang, Ryan Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori; Huang, Ming-You; Mao, Wei-Lin; Hu, Han-Miao.	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Liu, Yuan-Sheng, Su, Chwen-Shing, Leon Soo, Roger Huang, Ryan Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori; Huang, Ming-You; Mao, Wei-Lin; Hu, Han-Miao.	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Liu, Yuan-Sheng, Su, Chwen-Shing, Leon Soo, Roger Huang, Ryan Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori; Huang, Ming-You; Mao, Wei-Lin; Hu, Han-Miao.	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Roger Huang Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori; Huang, Ming-You; Mao, Wei-Lin; Hu, Han-Miao.
NT\$1,000,000 – NT\$1,999,999	-	-	-	Authorized representatives of Hozan Investment Co., Ltd.: Leon Soo
NT\$2,000,000 – NT\$3,499,999	-	-	-	-
NT\$3,500,000 – NT\$4,999,999	-	-	-	Authorized representatives of Hozan Investment Co., Ltd.: Ryan Huang
NT\$5,000,000 – NT\$9,999,999	-	-	-	-
NT\$10,000,000 – NT\$14,999,999	-	-	-	-
NT\$15,000,000 – NT\$29,999,999	-	-	-	Authorized representatives of Hozan Investment Co., Ltd.: Liu, Yuan-Sheng, Su, Chwen-Shing
NT\$30,000,000 – NT\$49,999,999	-	-	-	-
NT\$50,000,000 – NT\$99,999,999	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	11	11	11	11

### III. Corporate Governance

#### 3.3.2 Remuneration of President, Vice President, and Senior Managers in the Last Fiscal Year (2022)

Unit: NT\$ in thousands

Title	Name	Salary (A)		Compensation for Loss of Office/Retirement (B)		Bonuses and Allowances (C)		Employee Profit Sharing (D)				Total Compensation (A+B+C+D) and its Percentage of Net Income (Note 1)		Compensation from reinvested businesses or parent companies other than subsidiaries
		From HFC	From All Consolidated Entities	From HFC	From All Consolidated Entities	From HFC	From All Consolidated Entities	From HFC		From All Consolidated Entities		From HFC	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Lin, Yen-Liang	11,834	12,030	—	—	28,564	28,760	5,752	—	5,752	—	46,150 1.27%	46,542 1.28%	10
Vice President	Liao, Wen-Chung													
Vice President	Lin, Jui-Chi													
Senior Manager	Ryan Huang													
Senior Manager	Tu, Chun-I													
Senior Manager	Liao, Chin-Tso													

Note 1: Net income shall mean the net income of the last fiscal year (FY2022); net income attributable to equity holders of the parent company in both the separate and consolidated financial statements of HFC was NT\$3,623,387 thousand.

Note 2: Senior Manager Ryan Huang has resigned in January 2022.

Note 3: Senior Manager Liao, Chin-Tso took office in January 2022.

### III. Corporate Governance

#### Remuneration of President, Vice President, and Senior Managers by Range

Remuneration of President, Vice President, and Senior Managers	Names of President, Vice President, and Senior Managers	
	From All Consolidated Entities	From All Consolidated Entities
NT\$0 – NT\$ 999,999	Ryan Huang	Ryan Huang
NT\$1,000,000 – NT\$1,999,999	–	–
NT\$2,000,000 – NT\$3,499,999	–	–
NT\$3,500,000 – NT\$4,999,999	–	–
NT\$5,000,000 – NT\$9,999,999	Lin, Jui-Chi, Tu, Chun-I Liao, Chin-Tso	Lin, Jui-Chi, Tu, Chun-I Liao, Chin-Tso
NT\$10,000,000 – NT\$14,999,999	Liao, Wen-Chung	Liao, Wen-Chung
NT\$15,000,000 – NT\$29,999,999	Lin, Yen-Liang	Lin, Yen-Liang
NT\$30,000,000 – NT\$49,999,999	–	–
NT\$50,000,000 – NT\$99,999,999	–	–
NT\$100,000,000 and above	–	–
Total	6	6

Note 1: Senior Manager Ryan Huang has resigned in January 2022.

Note 2: Senior Manager Liao, Chin-Tso took office in January 2022.

#### 3.3.3 Employee Profit Sharing Granted to Management Team in the Last Fiscal Year

Unit: NT\$ in thousands

	Title	Name	Stock	Cash	Total	Total Amount in % of Net Income (Note 1)
<b>Manager</b>	President	Lin, Yen-Liang	–	6,202	6,202	0.17%
	Vice President	Liao, Wen-Chung				
	Vice President	Lin, Jui-Chi				
	Senior Manager	Ryan Huang				
	Senior Manager	Tu, Chun-I				
	Senior Manager	Liao, Chin-Tso				
	Assistant Manager	Tsai, Chia-Ming				

Note 1: Net income shall mean the net income of the last fiscal year (FY2022); net income attributable to equity holders of the parent company in both the separate and consolidated financial statements of HFC was NT\$3,623,387 thousand.

Note 2: Senior Manager Ryan Huang has resigned in January 2022.

Note 3: Senior Manager Liao, Chin-Tso took office in January 2022.



### III. Corporate Governance

3.3.4 Compare the remuneration paid by the Company and all consolidated entities to the Company's directors, president, vice president, and senior managers in the last two fiscal years in percentage of net income stated in the parent company only and separate financial statements; describe the remuneration policy, standard, structure, and determination process, as well as their correlation with business performance and future risks.

(1) Remuneration received by directors, president, vice president, and senior managers from the Company and all consolidated entities in percentage of net income

	2021		2022	
	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities
Directors (Note)	0.41%	0.49%	0.13%	0.17%
President, Vice President, and Senior Managers	1.23%	1.30%	1.27%	1.28%

Note: Net income shall mean the net income of the last fiscal year (FY2022); net income attributable to equity holders of the parent company in both the separate and consolidated financial statements of HFC was NT\$ 3,623,387 thousand.

(2) Remuneration policy, standard, structure, and determination process, as well as their correlation with business performance and future risks

- (a) Remuneration of directors are paid according to the *Articles of Incorporation* of the Company at industry standards, and the Board of Directors is authorized to determine the amount of the remuneration. All decisions regarding director remuneration shall be reviewed by the Remuneration Committee and approved by the Board of Directors. The remuneration of directors is based on the overall performance of the Company's operations (e.g., the achievement of the Company's revenue, net profit before tax and net income) and the results of the directors' performance evaluation, including but not limited to the directors' contribution to the Company's performance and their meeting attendance, as a reference for setting their individual compensation.
- (b) Remuneration for the management team such as the president, vice president, and senior managers includes base salary, bonus and employee profit sharing. While salaries and bonuses are determined largely based on job positions and contribution to the success of the Company, payment of employee profit sharing is determined by the Board of Directors according to the *Articles of Incorporation* of the Company and subject to the approval of the shareholders' meeting. The Company conducts annual managerial performance review in accordance with the "Managerial Performance Review Regulations". The review includes, but are not limited to, the achievement of annual goals, operational management ability, personal contribution to the Company's performance, and leadership and management ability, and the results of such review are used as a reference for the payment of performance bonuses and salary adjustments.
- (c) On a regular basis, the Remuneration Committee reviews the annual and long-term performance goals of the Board of Directors and the management team, as well as the policy, mechanism, standard, and structure of remuneration. The committee also regularly evaluates the achievement progress of the Board of Directors and the management team.

In summary, the Company's remuneration policy and determination process of directors, president, vice president, and senior managers have a positive correlation with business performance, and the reasonableness of such remuneration is reviewed by the Remuneration Committee and the Board of Directors. When needed, we will review and evaluate our remuneration policy and standard based on the Company's operations and applicable laws and regulations in order to maintain a balance between operational sustainability and risk management.

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### 3.4 Corporate Governance

#### 3.4.1 Board of Directors

##### (1) Operations of the Board of Directors

In 2022, the Board of Directors convened nine (A) meetings; the attendance of the directors is as follows:

Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Chairman	Hozan Investment Co, Ltd., represented by Liu, Yuan-Sheng	9	0	100%	
Director	Hozan Investment Co, Ltd., represented by Su, Chwen-Shing	9	0	100%	
Director	Hozan Investment Co, Ltd., represented by Roger Huang	8	1	89%	
Director	Hozan Investment Co, Ltd., represented by Leon Soo	8	1	89%	
Director	Hozan Investment Co, Ltd., represented by Ryan Huang	9	0	100%	
Director	Toyota Financial Services Corporation, represented by Masayoshi Hori	8	1	89%	Masayoshi Hori was relieved from office upon the reassignment by the Corporate Director on April 1, 2023.
Independent Director	Huang, Ming-You	9	0	100%	
Independent Director	Mao, Wei-Lin	9	0	100%	
Independent Director	Hu, Han-Miao	2	5	29%	Hu, Han-Miao resigned on September 30, 2022

##### Annotations:

- (1) In either of the following events, specify the date and session number of the board meeting, summary of the proposal, the opinions of the independent directors, and the actions taken by the company in response to the opinions of independent directors:
  - (a) A matter stipulated in Article 14-3 of the *Securities and Exchange Act* occurs: HFC has elected independent directors and established an audit committee on November 7, 2018, the details of which can be found under the "Operations of the Audit Committee" section.
  - (b) In addition to the foregoing, there is any other resolution on record or in writing that contains the independent directors' dissenting or qualified opinion: N/A
- (2) If any director is required to recuse himself due to conflicts of interest, specify the name of the director, summary of the proposal, reason for recusal, and whether such director has participated in the voting:
  - (a) On May 5, 2022, at their 9th meeting, the tenth Board of Directors discussed the proposed endorsement and guarantee of the financing of HEJING CO., LTD. with its bank. Due to a conflict of interest, Chairperson Liu, Yuan-Sen and Director Su, Li-Yung recused themselves from the discussion and voting of the proposal in accordance with the law, and Chairperson Liu, Yuan-Sen appointed Independent Director Huang, Ming-Yu to preside over the discussion and voting of the proposal on his behalf.
  - (b) On August 4, 2022, at their 11th meeting, the tenth Board of Directors discussed Hotai Finance Corporation planned to offer endorsements and guarantees for HEJUN ENERGY CO., LTD. to its correspondent banks. Due to a conflict of interest, Chairperson Liu, Yuan-Sen recused himself from the discussion and voting of the proposal in accordance with the law, and Chairperson Liu, Yuan-Sen appointed Independent Director Huang, Ming-Yu to preside over the discussion and voting of the proposal on his behalf.
  - (c) On August 4, 2022, at their 11th meeting, the tenth Board of Directors discussed the lending of funds to the subsidiary HEJUN ENERGY CO. Due to a conflict of interest, Chairperson Liu, Yuan-Sen recused himself from the discussion and voting of the proposal in accordance with the law, and Chairperson Liu, Yuan-Sen appointed Independent Director Huang, Ming-Yu to preside over the discussion and voting of the proposal on his behalf.

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- (d) On November 3, 2022, at their 14th meeting, the tenth Board of Directors discussed Hotai Finance Corporation planned to provide Guarantee to Banks for HEJING CO., LTD. Due to a conflict of interest, Chairperson Liu, Yuan-Sen recused himself from the discussion and voting of the proposal in accordance with the law, and Chairperson Liu, Yuan-Sen appointed Independent Director Huang, Ming-Yu to preside over the discussion and voting of the proposal on his behalf.
  - (e) On December 21, 2022, at their 15th meeting, the tenth Board of Directors discussed Hotai Finance Corporation planned to provide Guarantee to Banks for HEJING CO., LTD. Due to a conflict of interest, Chairperson Liu, Yuan-Sen recused himself from the discussion and voting of the proposal in accordance with the law, and Chairperson Liu, Yuan-Sen appointed Independent Director Huang, Ming-Yu to preside over the discussion and voting of the proposal on his behalf.
  - (f) On December 21, 2022, at their 15th meeting, the tenth Board of Directors discussed the Proposal for lending funds to HEJING CO., LTD. Due to a conflict of interest, Chairperson Liu, Yuan-Sen recused himself from the discussion and voting of the proposal in accordance with the law, and Chairperson Liu, Yuan-Sen appointed Independent Director Huang, Ming-Yu to preside over the discussion and voting of the proposal on his behalf.
3. Measures taken to achieve the objective to strengthen Board functions in 2022 and 2023 (e.g., establishing an audit committee and enhancing information transparency), and assessment of the implementation:
- (a) In order to strengthen our corporate governance, we established the Audit Committee and the Remuneration Committee, whose functions are to regularly assess and review the remuneration of the Board of Directors and the management team, and enhance corporate governance practices and board functions. In September 2021, the Risk Management Committee and the ESG committee are added. Please refer to the operations of the Audit Committee and the Remuneration Committee.
  - (b) The Regulations Governing the Board of Directors Performance Evaluation was formulated on October 23, 2018 and revised on November 11, 2020. The latest external evaluation conducted in Q4 of 2022 is the performance evaluation of the 2021 Board of Directors with functional committees. The evaluation results have shown that the Board of Directors is operating well.
  - (c) To ensure information transparency, HFC has published important resolutions on the Market Observation Post System (MOPS) in compliance with the law.

#### (2) Board Evaluation

After collecting and compiling the self-evaluation questionnaires from eight directors (including independent directors) and functional committees, the overall evaluation results indicate that the Board of Directors and functional committees are operating “well” and the implementation status is as follows:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Topics
Once a year; at least one external evaluation every three years	January 1, 2022 to December 31, 2022	Board of Directors as a whole	Questionnaire	A. Participation in the operations of the Company B. Whether the quality of decision-making has been enhanced C. Board composition and structure D. Selection of Board members and continuing education E. Internal controls
		Individual Director		A. An understanding of the goals and tasks of the Company B. An understanding of the duties and responsibilities of the functional director C. Participation in the operations of the Company D. Internal relationship management and communication E. Profession of members and continuing education F. Internal controls
		Functional committee performance (Audit Committee, Remuneration Committee, Risk Management Committee)		A. Participation in the operations of the Company B. An understanding of the duties and responsibilities of the functional committee C. Quality of decision-making of functional committees D. Composition and member election of functional committees E. Internal controls

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### 3.4.2 Audit Committee Meetings

#### (1) Operations of the Audit Committees

In 2022, the Audit Committee convened nine (A) meetings; the attendance of Audit Committee members is as follows:

Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Chair	Huang, Ming-You	9	0	100%	—
Member	Mao, Wei-Lin	9	0	100%	—
Member	Hu, Han-Miao	2	5	29%	Hu, Han-Miao resigned on September 30, 2022

Annotations:

(1) In either of the following events, specify the date and session number of the audit committee meeting, summary of the proposal, objections, reservations or major suggestions of independent directors, resolutions of the audit committee, and the actions taken by the company in response to the opinions of audit committee:

(a) Resolutions related to Article 14-5 of the *Securities and Exchange Act*:

Date and Session No. of Audit Committee Meeting	Summary of Proposals	Audit Committee Resolution	Actions Taken
January 18, 2022 6 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	1. Establish company sustainability report and verification procedure	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
March 08, 2022 7 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	1. 2021 business and financial report 2. Proposal for the compensation allocated to employees 3. Amendment to the "Handling Procedure for Acquisition or Disposal of Assets" 4. Amendment to the "Procedure of Derivatives Trading" 5. Amendment to the "Operation Procedure for Handling Guarantee" 6. Proposal for release of the non-competition restriction imposed on directors 7. Statement of Internal Control System 8. Proposal of appointment of certified public accountant 9. The disposal of right-of-use real estate assets acquired from related parties 10. Provide Guarantee to Banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd.	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
May 05, 2022 8 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	1. 2022 Q1 consolidated financial statements of the Company 2. Proposal for applying and launching foreign loan 3. Provide guarantees to banks for HEJING Co., Ltd. 4. Provide guarantees to banks for Hoyun (Shanghai) commercial Factoring Co., Ltd. 5. Amend the System of Internal Control	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
June 23, 2022 9 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	1. Proposal for Issuing Preferred Shares A	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance

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Date and Session No. of Audit Committee Meeting	Summary of Proposals	Audit Committee Resolution	Actions Taken
August 04, 2022 10 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>The Q2 2022 consolidated financial statements</li> <li>Proposal of establishing record date of cash capital increase through issuance of Preferred Shares A</li> <li>Provide Guarantee to Banks for HEJUN Energy Co., Ltd.</li> <li>Proposal for lending funds to HEJUN Energy Co., Ltd.</li> </ol>	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
August 26, 2022 11 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>Proposal for purchasing office space</li> <li>Proposal for issuing secured bonds</li> <li>Proposal for applying and launching foreign loan</li> </ol>	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
September 23, 2022 12 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>Provide Guarantee to Banks for HEJING Co., Ltd.</li> </ol>	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
November 03, 2022 13 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>The Q3 2022 consolidated financial statements</li> <li>Provide Guarantee to Banks for HEJING Co., Ltd.</li> </ol>	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
December 21, 2022 14 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>2023 annual audit plan</li> <li>Provide Guarantee to Banks for HEJING Co., Ltd.</li> <li>Proposal for lending funds to HEJING Co., Ltd.</li> </ol>	The proposals were approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance

(b) In addition to the foregoing, any other proposal that was not approved by the audit committee, but was passed by the resolution of more than two thirds of all Board members: N/A

- (2) If any independent director is required to recuse himself due to conflicts of interest, please specify the name of the independent director, summary of the proposal, reason for recusal, and whether such independent director has participated in the voting: N/A
- (3) Communication between independent directors and internal chief audit officer and external auditors (including important discussion points, methods and results regarding the finance and operations of the company):
- Once the internal audit is completed, the internal chief audit officer has submitted an audit report to the independent directors in the following month; the independent directors have raised no objections to the audit report.
  - The independent directors have raised no objections to the report on the audit activities delivered by the internal chief audit officer.
  - At the end of each fiscal year, the internal chief audit officer will prepare and submit the audit plan for the following year to the Audit Committee for approval, which will then be submitted to the Board for resolution.
  - The contact information (phone numbers and emails) of the independent directors (members of the Audit Committee) and internal chief audit officer is made available to each of them so that they can contact each other and communicate directly. The internal audit chief officer attends every Board meeting and delivers a report on the progress of the internal audit activities and consults with the independent directors (members of the Audit Committee).

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- (e) The assessment of the effectiveness of internal control for financial reporting and the Statement of Internal Control are submitted to the Audit Committee for review.
  - (f) The financial report of the company must be approved by more than half of the members of the Audit Committee and submitted to the Board for approval. Prior to reviewing the financial report, the Audit Committee would first discuss and communicate with the external auditors on the results of the audit.
- (4) Summary of key actions taken by the Audit Committee in 2022:
- (a) The main function of the Audit Committee is to assist the Board in maintaining the quality and integrity of oversight over the implementation of accounting, audit, and financial reporting procedures as well as financial controls by the company.
  - (b) Items that require the review and approval of the Audit Committee include:
    - Financial statements: The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and profit distribution proposal. PricewaterhouseCoopers Taiwan, an independent registered public accounting firm retained by the Board of Directors, has audited the 2022 Financial Statements and issued an audit report based on their review. The Audit Committee has reviewed the 2022 Business Report, Financial Statements and profit distribution proposal, and is of the opinion that they are prepared in conformity with generally accepted accounting principles.
    - Accounting policy and procedures
    - Internal control system and related policies and procedures: The Audit Committee evaluates the effectiveness of the policy and procedures relating to the Company's internal control system (including control measures of finance, operation, risk management, information security, and regulatory compliance), and reviews the periodic reports prepared by the auditing department, external auditors, and management (including risk management and regulatory compliance). It is the Audit Committee's opinion that the Company maintains an effective risk management and internal control system, and the Company has taken all necessary measures to monitor and remedy any non-compliance.
    - Material lending and endorsement and guarantee of obligations
    - Offering and issuance of securities
    - Regulatory compliance
    - Evaluation of the experience, independence, and performance of external auditors
    - Appointment, removal, and compensation of external auditors
    - Audit Committee's performance of their duties and responsibilities
    - Self-evaluation questionnaires of the performance of the Audit Committee

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#### 3.4.3 The differences between the implementation status of corporate governance and the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
1. Has the Company adopted and disclosed its corporate governance principles in accordance with <u>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</u> ?	V		We have adopted HFC Corporate Governance Best Practice Principles in accordance with <u>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</u> , which is published on MOPS and made available on our corporate website.	Compliant
2. Shareholders structure and shareholders' rights				
(1) Has the Company set up internal operating procedures for handling shareholder suggestions, inquiries, disputes, and litigation matters? If so, have these procedures been implemented accordingly?	V		We have a spokesperson, an acting spokesperson, and a designated unit to handle shareholder affairs. And our corporate website has an "Investors" section for shareholders to make searches and inquiries.	Compliant
(2) Does the Company keep track of the list of major shareholders having actual control of the Company, as well as the beneficial owners of such shareholders?	V		We maintain a consistent group of major shareholders, and we regularly monitor shareholder ownership by reviewing the shareholder register and the reported changes, provided by the stock agency, to the share ownership of directors and officers.	Compliant
(3) Has the Company built and implemented a risk management system and firewalls between the Company and its affiliates?	V		We have adopted and implemented internal rules and regulations such as the <i>Procedures for Transactions with Affiliated Companies, Specific Companies, and Related Parties</i> and <i>Guidelines for Subsidiary Oversight and Governance</i> .	Compliant
(4) Has the Company established internal rules prohibiting insider trading on non-public information?	V		In order to establish a good mechanism for the handling and disclosure of material internal information and to avoid improper leakage or untimely disclosure of information, the "Operating Procedures for Handling Material Internal Information" have been established, and we have adopted our <i>Insider Trading Policy</i> which prohibits all employees, officers, directors, and any other person who has knowledge of material non-public information due to their identity, position, or control from trading securities based on that non-public information. Every individual who is considered an insider of the Company and any other relevant personnel are required to strictly comply with the rules.	Compliant
3. Composition and responsibilities of the Board of Directors				
(1) Has the Board of Directors adopted and implemented a diversity policy and concrete management objectives?	V		The Article 20, Paragraph 3 of the <i>Corporate Governance Best Practice Principles</i> of the Company requires us to consider the diversity of Board composition, and provides some guidelines	Compliant

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Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	
(2) Other than the remuneration and audit committees which are required by law, has the Company set up other functional committees?	Y		<p>on diversity based on the operations, nature of business activities, and development needs of the Company. Currently, we have a total of eight directors, two of them are independent, which account for 25% of the Board; all of the independent directors have less than five years of service, and none of the directors are employees of the Company.</p> <p>In the 2021 election, taking our current development needs into consideration, no female director is elected. In future elections, the number of female directors will be evaluated. Female directors are preferred on the premise that the Company's needs are met, and the number of female directors will gradually increase. In terms of age demographics, three of the directors are aged between 41 and 50, two are between the age of 51 to 60, three are between the age of 61 to 70. Some directors have practical and management experience in the automotive and related industries, and many of them also have expertise in finance, technology, advertising, media, accounting, or economic analysis, which signifies the diversity of our Board composition. Not only do we consider professional skills and experience in the selection process, we also place great emphasis on personal reputation in respect of ethics and leadership. To strengthen the functionality of the Board and achieve the goals of corporate governance, the Board of Directors shall possess the following abilities:</p> <p>(i) ability to make operational judgements, (ii) accounting and financial analytical skills, (iii) management and administration, (iv) crisis management, (v) industry knowledge, (vi) global market perspective, (vii) leadership, and (viii) decision-making ability, which are stipulated under Article 20 of the Corporate Governance Best Practice Principles of the Company. See Note 1 for the implementation of our diversity policies.</p> <p>Management objectives: Increase the number of female director by 1.</p> <p>The Company has set up the Remuneration Committee, the Audit Committee, and the Corporate Social Responsibility Committee (which has renamed to ESG Committee). In September 2021, the Risk Management Committee under the functional committee is established. Its composition, duties and responsibilities, and operations are described as follows.</p> <p>For the completeness of the risk control and management of the Company and the reinforcement</p>
			Compliant



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Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation								
	Y	N		Summary							
			<p>of the Board's function, the Risk Management Committee is organized, which duties and responsibilities are:</p> <ol style="list-style-type: none"> <li>1. Periodically review the risk management policy and procedure of the Company, and present proposals to the Board of Directors.</li> <li>2. Conduct semi-year reviews of the quality changes, risks, and trends of the Company's financial assets, which results shall be presented to the Board of Directors.</li> <li>3. Periodically review the requests and requirements of applicable laws and regulations of risk management and its related matters, of management mechanisms, and of other issues arising from the authority and the Board of Directors, which results shall be presented to the Board of Directors.</li> <li>4. Other major risk factors specified by the Company or the authority.</li> </ol> <p>The Risk Management Committee consists of Chair Huang, Ming-You, Member Mao, Wei-Lin, Member Hu, Han-Miao (resigned on September 30, 2022), and Member Lin, Yen-Liang (took office on November 3, 2022).</p> <p>Independent Director Huang, Ming-You has been a CPA for years, Independent Director Mao, Wei-Lin was an economics professor and chair in the National Chengchi University, and Independent Director Hu, Han-Miao was an executive manager in the automotive field, who possess a basic understanding of the Company's products, applicable laws and regulations, and various risk factors.</p> <p>The operations of the Risk Management Committee are as follows.</p> <ol style="list-style-type: none"> <li>1. Three meeting were held in 2022. The attendance rates of the three members are all 78%.</li> </ol> <table border="1"> <thead> <tr> <th>Date / Session No.</th> <th>Meeting Summary</th> </tr> </thead> <tbody> <tr> <td>March 08, 2022 2<sup>nd</sup> Meeting of the 1<sup>st</sup> Risk Management Committee</td> <td> <ol style="list-style-type: none"> <li>1. Asset quality report</li> <li>2. The report on comprehensive money laundering and terrorism financing risk assessment of the financing leasing business for 2021</li> </ol> </td> </tr> <tr> <td>August 04, 2022 3<sup>rd</sup> Meeting of the 1<sup>st</sup> Risk Management Committee</td> <td> <ol style="list-style-type: none"> <li>1. The amendment to the report on comprehensive money laundering and terrorism financing risk assessment of the financing leasing business for 2021.</li> <li>2. Review of asset quality management</li> </ol> </td> </tr> <tr> <td>August 26, 2022 4<sup>th</sup> Meeting of the 1<sup>st</sup> Risk Management Committee</td> <td> <ol style="list-style-type: none"> <li>1. The amendment to the Company's "Risk Management Policy"</li> </ol> </td> </tr> </tbody> </table>	Date / Session No.	Meeting Summary	March 08, 2022 2 <sup>nd</sup> Meeting of the 1 <sup>st</sup> Risk Management Committee	<ol style="list-style-type: none"> <li>1. Asset quality report</li> <li>2. The report on comprehensive money laundering and terrorism financing risk assessment of the financing leasing business for 2021</li> </ol>	August 04, 2022 3 <sup>rd</sup> Meeting of the 1 <sup>st</sup> Risk Management Committee	<ol style="list-style-type: none"> <li>1. The amendment to the report on comprehensive money laundering and terrorism financing risk assessment of the financing leasing business for 2021.</li> <li>2. Review of asset quality management</li> </ol>	August 26, 2022 4 <sup>th</sup> Meeting of the 1 <sup>st</sup> Risk Management Committee	<ol style="list-style-type: none"> <li>1. The amendment to the Company's "Risk Management Policy"</li> </ol>
Date / Session No.	Meeting Summary										
March 08, 2022 2 <sup>nd</sup> Meeting of the 1 <sup>st</sup> Risk Management Committee	<ol style="list-style-type: none"> <li>1. Asset quality report</li> <li>2. The report on comprehensive money laundering and terrorism financing risk assessment of the financing leasing business for 2021</li> </ol>										
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Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation						
	Y	N		Summary					
(3) Has the Company established procedures and methods for evaluating the performance of the Board of Directors, conducted the evaluation on an annual basis, and reported the evaluation results to the Board of Directors, which will then serve as a basis for individual director remuneration and re-election?	V		<p>2. The operations of the Committee are reported to the Board of Directors on December 21, 2022.</p> <p>The composition, duties and responsibilities, and operations of the ESG Committee are as follows.</p> <p>To promote and execute the CSR policy and sustainable business development:</p> <ol style="list-style-type: none"> <li>1. Review the effectiveness of CSR implementation, and provide suggestions.</li> <li>2. Formulate the direction of CSR, and its annual execution plan and progress.</li> <li>3. Other related matters.</li> </ol> <p>The ESG Committee consists of Chair Liu, Yuan-Sheng, Member Lin, Yen-Liang, Member Liao, Wen-Chun, Member Lin, Jui-Chi, and Member Liao, Chin-Tso. The Chair is also the Company's Chairman, Lin, Yen-Liang is the Company's President, Liao, Wen-Chun and Lin, Jui-Chi are both the Company's Vice President, and Member Liao, Chin-Tso is the Company's Senior Manager, who have actual experience of the Company's sustainable business and are capable to offer proposals to the Board of Directors.</p> <p>The operations of the ESG Committee are as follows.</p> <ol style="list-style-type: none"> <li>1. Two meetings were held in 2022. The attendance rates of the five members are all 100%.</li> </ol> <table border="1"> <thead> <tr> <th>Date / Session No.</th> <th>Meeting Summary</th> </tr> </thead> <tbody> <tr> <td>February 15, 2022 2<sup>nd</sup> Meeting of the 1st ESG Committee</td> <td>2022 ESG strategic approaches</td> </tr> <tr> <td>November 10, 2022 3<sup>rd</sup> Meeting of the 1st ESG Committee</td> <td>2023 ESG strategic approaches</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>2. The operations of the Committee are reported to the Board of Directors on December 21, 2022.</li> </ol> <p>We have adopted the <i>HFC Board Performance Evaluation Policy and Procedures</i>. At the end of every fiscal year, we review and evaluate the performance of the Board, covering the operations of the Board as a whole and of the functional committees, as well as each director's evaluation.</p> <p>Evaluation of the overall Board performance shall address these five areas:</p> <ol style="list-style-type: none"> <li>1. Participation in the operations of the Company</li> <li>2. Whether the quality of decision-making has been enhanced</li> <li>3. Board composition and structure</li> <li>4. Selection of Board members and continuing education</li> </ol>	Date / Session No.	Meeting Summary	February 15, 2022 2 <sup>nd</sup> Meeting of the 1st ESG Committee	2022 ESG strategic approaches	November 10, 2022 3 <sup>rd</sup> Meeting of the 1st ESG Committee	2023 ESG strategic approaches
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February 15, 2022 2 <sup>nd</sup> Meeting of the 1st ESG Committee	2022 ESG strategic approaches								
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Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	
(4) Does the Company regularly evaluate its external auditors' independence?	V		<p>5. Internal controls</p> <p>Evaluation of the overall performance of the functional committees shall address these five areas:</p> <ol style="list-style-type: none"> <li>1. Participation in the operations of the Company</li> <li>2. An understanding of the duties and responsibilities of functional committees</li> <li>3. Whether the quality of decision-making has been enhanced</li> <li>4. Composition and selection of members of functional committees</li> <li>5. Internal controls</li> </ol> <p>In Q4 of 2021, we have engaged the Taiwan Institute of Ethical Business and Forensics to conduct the external performance evaluation of the Board of Directors, which results have been reported the Board of Directors on January 18, 2022. Based on the evaluation of year 2021, the overall operations of the Board of Directors and the functional committee are good.</p> <p>In Q4 of 2022, we conducted the external performance evaluation of the Board of Directors, which results have been reported the Board of Directors on January 16, 2023. Based on the evaluation of year 2022, the overall operations of the Board of Directors and the functional committee are good.</p> <p>The results of the evaluation of the Board will serve as a basis for selecting and nominating directors; the results of evaluation of individual directors will be used as a baseline for their individual remuneration.</p> <p>The independence of the Company's attesting CPAs is evaluated by the Audit Committee and the Board of Directors once a year, and the evaluation of the independence and competency of the attesting CPAs shall be reviewed and approved by the Audit Committee and the Board of Directors. CPAs Wang, Fang-Yu and Hsiao, Chun-Yuan from PwC Taiwan have no interest or business relationship with the Company other than the professional fees for the attestation cases, and their family members and the audit team have not violated the criteria for independence (Note 2).</p> <p>On March 8, 2022, the Board of Directors and Audit Committee reviewed and approved the appointment of Certified Public Accountants and the Assessment of Independence and Competence for the year of 2022.</p>

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
4. Has the Company assigned an appropriate number of competent corporate governance personnel and appoint a chief governance officer to oversee corporate governance related matters (including but not limited to, providing directors and supervisors with information necessary to carry out their duties, coordinating Board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information, preparing minutes of the Board meetings and shareholders meetings)?	V		<p>The Chief Governance Officer of the Company is Assistant Manager Tsai, Chia-Ming who is responsible for the corporate governance and related matters to protect the rights and interests of shareholders and reinforce the functions of the Board. Assistant Manager Tsai, Chia-Ming is a CPA in Taiwan. The primary responsibilities as the Chief Governance Officer are to facilitate matters pertaining to Board meetings and shareholders' meetings, prepare minutes for Board meetings and shareholders meetings, assist directors with their onboarding process and continuing education, provide information required for directors to carry out their duties and responsibilities, and ensure regulatory compliance by directors.</p> <p>The following are key actions taken by the Chief Governance Officer in 2022:</p> <ol style="list-style-type: none"> <li>1. Assisted the directors to attend training courses to keep up with continuing education.</li> <li>2. Evaluated and purchased "Directors and Key Officers Liability Insurance", and presented important information such as the insured value, coverage, and premium rates at the Board meeting.</li> <li>3. Drafted Board meeting agenda and notified all the directors at least 7 days before the meeting; convened the meeting and provided directors with appropriate information regarding the meeting. If any of the proposals required director recusal, a reminder was given to such persons prior to the meeting. Minutes of the Board meeting were completed within 20 days from when the Board meeting took place and provided to the Directors.</li> <li>4. Registered the date of the annual general meeting of the shareholders as required by the law; prepared and filed meeting notice, handbook, and minutes within the prescribed period; filed for change of information after the amendments of the Articles of Incorporation or after the election of directors to start a new term in office.</li> <li>5. Convened meetings from time to time to foster open communications between auditors, independent directors, and audit and finance officers as part of the efforts to implement internal control system.</li> <li>6. Conducted an evaluation on the performance of the Board pursuant to the Company's Board Performance Evaluation Policy and Procedures; at the end of the fiscal year, collected information relating to Board activities, distributed self-evaluation questionnaire, and then prepared a report based on the evaluation results and presented to the</li> </ol>	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation																		
	Y	N		Summary																	
			<p>Board for their review and improvement.</p> <p>Continuing education of directors and supervisors in 2022:</p> <p>The Chief Governance Officer has attended courses related to the execution of his or her business in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, and has followed the “Taiwan Stock Exchange Corporation Operation Directions for Compliance With the Establishment of a Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers”, as the new Corporate Governance Officer to take at least eighteen hours of further education within one year from the date of assuming this position, and at least twelve hours of further education per year. The contents of the related education in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Host</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Taiwan Independent Director Association</td> <td>Case Studies and Latest Regulations on Money Laundering Prevention</td> <td>3</td> </tr> <tr> <td>Taiwan Institute of Directors</td> <td>Corporate Sustainability Accelerators - CSR, ESG, and SDGs</td> <td>3</td> </tr> <tr> <td>Taiwan Institute of Directors</td> <td>Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025</td> <td>3</td> </tr> <tr> <td>Accounting Research and Development Foundation</td> <td>Promoting Green Transformation: Professional Training Course for Moving Towards Zero Carbon Emissions</td> <td>3</td> </tr> <tr> <td>Accounting Research and Development Foundation</td> <td>The Trends for ESG Information Disclosure and Related Regulations</td> <td>3</td> </tr> </tbody> </table>	Host	Course	Hours	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3	Taiwan Institute of Directors	Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025	3	Accounting Research and Development Foundation	Promoting Green Transformation: Professional Training Course for Moving Towards Zero Carbon Emissions	3	Accounting Research and Development Foundation	The Trends for ESG Information Disclosure and Related Regulations	3
Host	Course	Hours																			
Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3																			
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Accounting Research and Development Foundation	Promoting Green Transformation: Professional Training Course for Moving Towards Zero Carbon Emissions	3																			
Accounting Research and Development Foundation	The Trends for ESG Information Disclosure and Related Regulations	3																			
5. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) or created a stakeholders’ section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		<p>We have a “Stakeholders” section on our corporate website where we offer a communication channel to stakeholders, and it allows us to provide timely response to the important corporate social responsibility issues raised by stakeholders. The name of the contact person and contact information (i.e., phone number and email) can be found on the website.</p> <p>For the economic, social, environmental, and other related issues that stakeholders are concerned about, we carry out planning and discussion accordingly and report to the Board of Directors once a year.</p>	Compliant																	

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
6. Has the Company appointed a professional stock transfer agent for its shareholders' meetings?	V		We have appointed the Stock Transfer Agency Department of Taishin Securities Co., Ltd. to handle matters relating to our shareholders' meetings.	Compliant
7. Information disclosure (1) Has the Company established a corporate website to disclose its information of finance, business, and corporate governance?	V		We have an "Investor Relations" section on our corporate website where we make available and regularly update any financial and business information and corporate governance practices of the Company for our shareholders and stakeholders. We also comply with the requirements of competent authorities to disclose corporate overview, and financial and business information on MOPS.	Compliant
(2) Does the Company use other disclosure methods (e.g., an English-language website, designated personnel to collect and disclose the Company's information, appointed spokesperson, or webcast of earnings call)?	V		The Company has set up Chinese and English websites, and the Finance Department has assigned a special person to be responsible for the collection of disclosure information, and it does follow the regulations of the competent authority on information disclosure, and has spokesperson and acting spokesperson contact channels. After the announcement of the quarterly financial report in 2021, a total of four earning calls were held. In addition, the links to the files of our earning calls can also be found under the "Investors" section on our corporate website.	Compliant
(3) Has the Company published and filed the financial report for the year within two months after the close of the fiscal year, and published and filed the financial reports of the first, second, and third quarter as well as the monthly operating report within the prescribed period?	V		Pursuant to Article 36 of the Securities and Exchange Act, we published and filed the financial report for the year within three months after the close of the fiscal year, and the financial reports of the first, second, and third quarter as well as the monthly operating report within the prescribed period.	Processed in accordance with the prescribed period under the <i>Securities and Exchange Act</i>
8. Has the Company disclosed other information which may facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, director and supervisor training, implementation of risk management policy and risk assessment measures, implementation of customer relations policy, and purchasing of liability insurance for its directors and supervisors)?	V		(1) Employee rights and benefits: we comply with the Labor Standards Act and human resource policies of the Company, and have an employee suggestion box in place to ensure employee rights and benefits. (2) Employee wellness: we offer group insurance and wellness programs such as sponsored club activities, and engage professional institutions to provide employee assistance programs, including healthcare consultation. (3) Investor relations: we have a spokesperson system in place to handle investor relations and an "Investors" section on our corporate website. As required by law, we also promptly disclose important information regarding the Company's finances, operations, and changes to shareholding of insiders on MOPS to ensure	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	
			<p>the rights and interests of our investors.</p> <p>(4) Supplier relations: we maintain open communication channels with our suppliers and stakeholders. The departments charged with the responsibilities work towards communicating and coordinating with suppliers to protect their lawful rights.</p> <p>(5) Stakeholder rights: the stakeholders of the Company can reach out to us anytime through email or phone call using the contact information on our corporate website.</p> <p>(6) Director training: from time to time, we provide information relating to laws and regulations that are pertinent to the duties and responsibilities of directors, as well as available continuing education courses arranged by relevant organizations on those topics. Last year, our directors and supervisors have completed required training courses in accordance with the <i>Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies</i>.</p> <p>(7) Risk management policy and risk assessment measures: The company has set up the Risk Management Committee under the functional committee in September 2021, and has a risk management policy and various internal regulations. All the important resolutions of the Company, such as major operational policies, investments, endorsements and guarantees of obligations, lending, and bank financing, must be assessed and analyzed by responsible departments and implemented in alignment with the decisions of the Board of Directors. To be overseen by the Risk Management Committee, the Risk Management Department is responsible for the implementation of the risk management policy and present risk management policy for the Board's approval. The Auditing Department also formulates and executes the annual audit plan based on the risk assessment results in order to fulfill oversight mechanism and monitor the execution of risk management.</p> <p>Execution status on 2022: The meeting of the Risk Management Committee was held three times in 2022. A total of two asset quality meetings were held in 2022.</p> <p>(8) Implementation of customer relations policies: our commitment to our customers is to operate a business with integrity and create innovative products and professional services that exceed expectations, thereby living out a</p>

### III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	
			<p>customer first, profession based (顧客為先、專業為本) philosophy to offer an all-encompassing customer service.</p> <p>(9) Directors liability insurance: we have purchased liability insurance for our directors in order to mitigate and divert the risks of shareholders' losses caused by the mistakes or negligence of the directors.</p> <p>(10) Information security risk management structure and implementation:</p> <p>For the purpose of information security, the Information Department has its main responsibility in response to information security, planning and reviewing the company's information security project, and formulate information security management methods and computerized information system control operations to ensure the confidentiality, integrity and availability of information, protect company information assets from improper use, leakage, etc., and ensure the collection, processing, transmission, storage and circulation of information security. All employees are required to observe and maintain the Company's information security. HFC becomes ISO 27001 certified on December 2022</p> <p>The information management unit holds monthly meetings, and the main discussion focuses on the review of relevant regulations such as personal information law and information security law, information security policy review and revision, personnel education and training promotion, cyber-attack protection, physical equipment security enhancement, data back-up measures, etc., perform inspections and formulate countermeasures to implement information security policies and maintain information security.</p> <p>(11) Intellectual property rights management plan            (a). Regulation on the Confidential commercial information            (b). Regulation on the Copyright            (c). Regulation on the Trademark Rights</p> <p>The implementation of the intellectual property rights management</p> <p>The Company report the implementation of the intellectual property rights management in Q4. The latest external evaluation conducted on the December 21, 2022.</p> <p>(a) There were 1,075 employees finishing the online course of the intellectual property rights.            (b) The company has 27 copyrights and 14</p>



### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>Trademark Rights until to the date of December 21,2022.</p> <p>(c) There were not any intellectual property dispute occurred in 2022.</p> <p>(12) Restrictions on Insider Stock Transactions            Prohibition of insiders, such as directors or employees, from trading marketable securities using non-public information            Not to trade shares during the book closure period of 30 days prior to the announcement of annual financial statements and 15 days prior to the announcement of quarterly financial statements.</p>	
<p>9. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved, and priorities and measures to be taken on areas identified for improvement:</p> <p>Improvements:</p> <ol style="list-style-type: none"> <li>ESG Sustainability Report obtained BSI verification and limited assurance by the CPA from PwC Taiwan.</li> <li>Obtained SGS ISO 14064-1:2018 Greenhouse Gas Verification Statement.</li> <li>Obtained ISO 27001 Information Security Management System certification.</li> </ol> <p>Priority for Improvements:</p> <ol style="list-style-type: none"> <li>Evaluate increasing the number of female directors.</li> <li>The Intellectual Property Rights Management Program is expected to obtain TIPS certification.</li> <li>The ESG Sustainability Report is expected to incorporate SASB.</li> </ol>				

### III. Corporate Governance

Note1: Implementation of the Company's diversity policy

Name	Nationality	Sex	Age			Ability to Make Operational	Accounting and Financial Analytical	Management and Administration	Crisis Management	Industry Knowledge	Global Market Perspective	Leadership	Decision-making Ability
			41~50	51~60	61~70								
Liu, Yuan-Sheng	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Su, Chwen-Shing	Taiwan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Roger Huang	U.S.A.	Male	✓			✓	-	✓	✓	✓	✓	✓	✓
Leon Soo	Taiwan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Ryan Huang	Taiwan	Male	✓			✓	✓	✓	✓	✓	✓	✓	✓
Masayoshi Hori (Note)	Japan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Shin Abe(Note)	Japan	Male	✓			✓	✓	✓	✓	✓	✓	✓	✓
Huang, Ming-You	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Mao, Wei-Lin	Taiwan	Male			✓	✓	✓	-	✓	✓	✓	-	✓

Note : The Corporate Director, Toyota Financial Services Co., Ltd., reassigned its representative from Masayoshi Hori to Shin Abe on 2023/4/1.

Note 2: Evaluation of external auditor's independence

	Evaluation Items	Evaluation Results	Independence
1	Does the auditor, his/her spouse, or children that are minors have any investment or financial interests in the Company?	No	Yes
2	Except in the case that the Company is a financial institution and the loan is obtained as part of the ordinary business operations, does the auditor, his/her spouse, or children that are minors have any loan to or from the Company?	No	Yes
3	Does the auditor or any person on the audit engagement team currently serve or has served within the last two years as a director, officer, or other position at the Company that has significant influence on the audit of the Company?	No	Yes
4	Has the auditor or any person on the audit engagement team promoted or acted as an intermediary for the shares or securities issued by the Company?	No	Yes
5	Has the auditor or any person on the audit engagement team represented the Company in a legal proceeding or dispute against a third party in providing non-audit services other than as permitted by the law?	No	Yes
6	Does the auditor or any person on the audit engagement team has a familial relationship with a director, officer, or any person holding a position at the Company that has significant influence on the audit of the Company, including spouse, lineal ascendant or descendant, spouse's lineal ascendant or descendant, or blood relative within the second degree of kinship?	No	Yes
7	Has any individual formerly employed as an auditor by the same registered public accounting firm within the last year been employed by the Company to serve as a director, officer, or other position at the Company that has significant influence on the audit of the Company?	No	Yes
8	Has the auditor or any person on the audit engagement team accepted any gift of significant value or preferential treatment from the Company or any of its directors, officers, or major shareholders?	No	Yes
9	Is the auditor currently employed by the Company to regularly perform services and receive fixed payment, or serving as a director or supervisor of the Company?	No	Yes

### III. Corporate Governance

Note 3: Criteria for Evaluating the Competency of CPAs

Aspect	Item	Audit Quality Indicator	Evaluation Contents	Evaluation Results	Whether to Meet the Criteria for Competency
Professionalism	1	Audit Experience	Do the CPAs and auditors have sufficient audit experience to perform the audit work?	Yes	Yes
	2	Training Hours	Have the CPAs and auditors received sufficient education and training to acquire professional knowledge and skills?	Yes	Yes
	3	Turnover Rate	Does the CPA firm maintain sufficiently experienced human resources?	Yes	Yes
	4	Professional Support	Does the CPA firm have sufficient professional staff outside of the audit, including computer auditors and appraisers, to support the audit team?	Yes	Yes
Quality Control	5	CPAs' Workload	Are the CPAs overloaded with audit engagements and audit work hours?	No	Yes
	6	Audit Involvement	Is the involvement of the audit team at each stage of the audit engagement appropriate?	Yes	Yes
	7	Engagement Quality Control Review (EQCR)	Do CPAs devote sufficient hours to perform reviews of the audit engagement?	Yes	Yes
	8	Quality Control Support Capability	Does the CPA firm have sufficient quality control resources, including risk management, audit professionals, etc., to support the audit team?	Yes	Yes
Independence	9	Non-audit Services	Does the proportion of non-audit services provided by the CPA firm to individual clients affect independence?	No	Yes
	10	Client Familiarity	Is the cumulative number of years of audit services provided by the CPA firm to individual clients likely to affect independence?	No	Yes
Supervision	11	External Inspection Deficiencies and Disciplines	Are the quality control and audit engagements of the CPA firm performed in accordance with the relevant laws and regulations?	Yes	Yes
	12	Improvements Required by Competent Authorities in Letters			
Innovation Capability	13	Innovation Planning or Initiatives	What is the CPA firm's commitment to improving audit quality, including the adoption or planning of programs or initiatives related to improving audit quality?	Yes	Yes

### III. Corporate Governance

#### Appendix: Training and Continuing Education of Directors

Title	Name	Date	Sponsoring Organization	Course Title	Hours
Chairman	Liu, Yuan-Sheng	June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3
		August 29, 2022	Taiwan Insurance Institute	Challenges and Future Trends of Information Security in the Insurance Industry	3
		September 06, 2022	Taiwan Insurance Institute	Sustainable Development Trend of Net Zero Carbon Emissions in Insurance Industry at Home and Abroad	3
		October 03, 2022	Taiwan Insurance Institute	How does the chief of information security respond to the urgency of information security governance and information security management	3
		November 29, 2022	Taiwan Academy of Banking and Finance	Practical operation and case study on how to establish a culture of honesty, accountability and financial friendliness	3
Director	Su, Chwen-Shing	June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3
		September 27, 2022	Taiwan Institute of Directors	Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025	3
Director	Roger Huang	June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3
		September 27, 2022	Taiwan Institute of Directors	Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025	3
Director	Leon Soo	June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3
		September 27, 2022	Taiwan Institute of Directors	Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025	3
Director	Ryan Huang	June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3
		September 27, 2022	Taiwan Institute of Directors	Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025	3
Director	Masayoshi Hori	June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		September 27, 2022	Taiwan Institute of Directors	Digital Convergence for the New Economy, Forecasting the Trends and Models of 2025	3
Independent Director	Huang, Ming-You	May 04, 2022	Taiwan Corporate Governance Association	International Twin Summit Online Forum	2
		June 23, 2022	Taiwan Independent Director Association	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3
		August 08, 2022	Corporate Operating and Sustainable Development Association	Business and M&A Strategies for Taiwanese Companies in the Global Political and Economic Context	3
Independent Director	Mao, Wei-Lin	June 23, 2022	Case Studies and Latest Regulations on Money Laundering Prevention	Case Studies and Latest Regulations on Money Laundering Prevention	3
		June 29, 2022	Taiwan Institute of Directors	Corporate Sustainability Accelerators - CSR, ESG, and SDGs	3

### III. Corporate Governance

#### 3.4.4 Composition, Functions, and Operations of Remuneration Committee

##### 1. Remuneration Committee Members

Criteria		Professional Qualification and Experience	Independence	Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member
Title	Name			
Independent Director (Chair)	Huang, Ming-You	(1) Graduated from the Department of Accounting, Soochow University; was the Deputy Chairman and CPA of the PricewaterhouseCoopers Taiwan; has been in the accounting field for more than 30 years; is a Certified Public Accountant (2) Without any of the circumstances under Article 30 of the Company Act.	(1) Himself/Herself, his/her spouse, and any relative within the second degree of kinship is not a director, supervisor or employee of the Company, its affiliates or affiliates (2) Himself/Herself, his/her spouse, or minor children hold no shares of the Company (3) Not holding any position in a company with which the Company has a specific relationship (4) Himself/Herself has not provided any services to the Company or its affiliates in the most recent two years	3
Independent Director	Mao, Wei-Lin	(1) Graduated from the National Chengchi University, and obtained a PhD in Economics from the University of Texas at Austin; has been teaching in the National Chengchi University for 32 years and was a professor and chair of the National Chengchi University. (2) Without any of the circumstances under Article 30 of the Company Act.	(1) Himself/Herself, his/her spouse, and any relative within the second degree of kinship is not a director, supervisor or employee of the Company, its affiliates or affiliates (2) Himself/Herself, his/her spouse, or minor children hold no shares of the Company (3) Not holding any position in a company with which the Company has a specific relationship (4) Himself/Herself has not provided any services to the Company or its affiliates in the most recent two years	0
Independent Director	Hu, Han-Miao (Note 1)	(1) Graduated the Taichung Industrial High School; worked for Hotai Motor Co., Ltd.; has been in the automotive field for more than 40 years. (2) Without any of the circumstances under Article 30 of the Company Act.	(1) Himself/Herself, his/her spouse, and any relative within the second degree of kinship is not a director, supervisor or employee of the Company, its affiliates or affiliates (2) Himself/Herself, his/her spouse, or minor children hold no shares of the Company (3) Not holding any position in a company with which the Company has a specific relationship (4) Himself/Herself has not provided any services to the Company or its affiliates in the most recent two years	0
Committee Member	Chang, Min-Chieh (Note 2)	(1) Graduated from Pittsburgh State University with a Master's degree in Industrial Technology; served as Vice President of Hotai Motor Co., Ltd. and President of KAU DU AUTOMOBILE CO., LTD., with over 40 years of experience in automotive related fields (2) Without any of the circumstances under Article 30 of the Company Act.	(1) Himself/Herself, his/her spouse, and any relative within the second degree of kinship is not a director, supervisor or employee of the Company, its affiliates or affiliates (2) Himself/Herself, his/her spouse, or minor children hold no shares of the Company (3) Not holding any position in a company with which the Company has a specific relationship (4) Himself/Herself has not provided any services to the Company or its affiliates in the most recent two years	0

Note 1: Hu, Han-Miao resigned on September 30, 2022.

Note 2: Committee Member Chang, Min-CHieh took office on November 3, 2022.

### III. Corporate Governance

#### 2. Operations of the Remuneration Committee

- (1) The Remuneration Committee consists of three members.
- (2) The term of office for the current members is from July 22, 2021 to July 21, 2024. In 2022, the Remuneration Committee convened five (A) meetings; the qualifications and attendance of the Remuneration Committee members is as follows:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Attendance Rate (%) (B/A)	Remarks
Chair	Huang, Ming-You	5	0	100%	
Member	Mao, Wei-Lin	5	0	100%	
Member	Hu, Han-Miao	2	3	40%	resigned on September 30, 2022.
Member	Chang, Min-Chieh	-	-	-	took office on November 3, 2022.

Annotations:

- (1) If the Board of Directors declines or revises the recommendations provided by the Remuneration Committee, please specify the date and session number of the board meeting, summary of the proposal, resolutions by the Board of Directors, and the actions taken by the company in response to the opinions of remuneration committee (e.g., the circumstances and reasons for the difference shall be specified if the remuneration adopted by the Board of Directors is more preferential than the Remuneration Committee's recommendation): N/A
- (2) If there is any dissenting or qualified opinion by a member on the Remuneration Committee's resolutions on record or in writing, the date and session number of the remuneration committee meeting, summary of the proposal, and all members' opinions and responses should be specified: N/A

Note:

- If a member of the Remuneration Committee resigns before the end of the fiscal year, the resignation date shall be noted in the "Remarks" column. The rate of attendance in person (%) will be calculated based on the number of meetings convened and the number of meetings attended by the member in person during his term.
- If a Remuneration Committee member is elected before the end of the fiscal year to fill a vacancy, the name of current and former members shall be included and their appointment status and date of election shall be disclosed in the "Remarks" column. The rate of attendance in person (%) will be calculated based on the number of meetings convened and the number of meetings attended by the member in person during his term.

### III. Corporate Governance

(3) The proposals and resolutions of the Remuneration Committee and the actions taken the company in response to the opinions of remuneration committee in 2022:

Date and Session No.	Summary of Proposals	Remuneration Committee Resolution	Actions Taken
January 18, 2022 3 <sup>rd</sup> Meeting of the 3 <sup>rd</sup> Remuneration Committee	1. Adjustment of salary structure	Approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
March 08, 2022 4 <sup>th</sup> Meeting of the 3 <sup>rd</sup> Remuneration Committee	1. Proposal for the compensation allocated to employees 2. Proposal to repeal Company's "Regulations for the Payment of Gratuity to the Retiring Chairperson and Vice Chairperson of the Board of Directors"	Approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
May 05, 2022 5 <sup>th</sup> Meeting of the 3 <sup>rd</sup> Remuneration Committee	1. FY2021 performance bonus paid to managerial officers and employees' remuneration	Approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
August 04, 2022 6 <sup>th</sup> Meeting of the 3 <sup>rd</sup> Remuneration Committee	1. Proposal of establishing method of issuing Preferred Shares A in connection with a cash increase for employee stock subscription 2. Proposal of issuing Preferred Shares A in connection with a cash capital increase for employee stock subscription to managerial officers	Approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance
August 26, 2022 7 <sup>th</sup> Meeting of the 3 <sup>rd</sup> Remuneration Committee	1. Proposal of FY2022 managerial officers remuneration	Approved unanimously by all members of the Committee in attendance	Approved unanimously by all the directors in attendance

### III. Corporate Governance

#### 3.4.5 The Company's Promotion of Sustainable Development and Deviations from the *Sustainable Development Best Practice Principles for TWSE/TPExx Listed Companies*

Evaluation Item	Implementation Status			Deviation from the <i>Sustainable Development Best Practice Principles of TWSE/TPExx Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
1. Has the Company established corporate governance frameworks of sustainability development, and an exclusive (or nonexclusive) unit of sustainability development, which have been authorized to the senior management by the Board of Directors and supervised by the Board of Directors?	V		<p>The Company has established the Corporate Social Responsibility Committee in March 2019 in order to pursue our vision and mission of ESG policy. In September 2021, such Committee has renamed to the "ESG Committee" as a result of international trends of sustainability development issues. To strengthen the effectiveness of the original ESG operations, the Committee has been upgraded and is now under the Board of Directors. The Committee is the Company's highest level of sustainability development decision-making center, of which our Chairman is both the Chair and chairperson who works together with senior executives (section chiefs and above) with a wide variety of backgrounds to monitor the Company's core competencies of operation and set short-, medium- and long-term sustainability development plans.</p> <p>There are a range of functional groups under the Committee, including the environmental sustainability group, the corporate governance group, the social participation group, etc. The Committee pursues sustainability in the interest of all stakeholders, and works with different divisions to carry out the jobs of planning, promotion, implementation, etc.</p> <p>The ESG Committee holds meetings at least twice a year and calls for meeting whenever needed. Every year the Committee has to report their operations (including but not limited to implementation reports, reports of stakeholders' communication, and annual plans) to the Board of Directors at least one time. The latest report is completed in December 2022, in which the Committee has presented their implementation report of corporate social responsibilities to the Board of Directors.</p> <p>On a regular basis, the Board of Directors hear the reports from the management team, including the ESG reports. The management team presents their proposals of sustainability development strategies and other issues to the Board of Directors for evaluation and approval from time to time, as well as monitors and reviews ongoing plans.</p> <p>For more details, please refer to our ESG Report.</p>	Compliant



### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
2. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues relevant to the Company's operations based on the materiality principle, and adopted relevant risk management policies and strategies?	V		<p>We follow the Materiality Principle of the GRI Guidelines by using a four-step process: identification, prioritization, validation, and review, to first identify initial material topics and select critical sustainability issues. Then we conduct an analysis and prioritization of corporate governance, economic, environmental, and social topics that are considered material by companies within the industry in Taiwan and overseas to determine the priority of environmental, social, and corporate governance issues for our company, and adopt management strategies and performance objectives accordingly.</p> <p>For more details, please refer to our ESG Report.</p>	Compliant
3. Environmental sustainability				
(1) Has the Company established a proper environmental management system based on the industry characteristics?	V		<p>The Company's office waste is sorted according to the <i>Waste Disposal Act</i>. The Company disinfects the office once a quarter, and cooperates with the building management committee to conduct annual fire protection and regular elevator security inspections to jointly maintain the working environment. Our 5S process best practice (sort, straighten, shine, standardize, and sustain) is adopted to promote quality working environment and discipline, eliminate waste, and improve workplace efficiency and capacity.</p>	Compliant
(2) Does the Company endeavor to improve energy efficiency and use renewable materials that have low environmental impact?	V		<p>We continue to promote and implement various energy saving measures to reduce our carbon footprint in response to the impact of a changing environment.</p> <ol style="list-style-type: none"> <li>1. We have introduced energy saving office equipment and use energy-efficient lighting equipment to reduce energy consumption.</li> <li>2. Each business location implements waste sorting and promotes paper recycling and upcycling, double-sided printing, paperless credit investigation system, and shredding of expired documents to minimize the environmental impact.</li> <li>3. We reuse and regenerate resources in order to lower ecological carrying capacity, including donating used information appliances and computer hardware to schools in rural areas.</li> </ol>	Compliant
(3) Has the Company evaluated current and future potential risks and opportunities regarding climate change, and taken measures to address climate-related issues?	V		<p>In the face of climate change, our company is mainly exposed to physical risks. For example, extreme weather due to climate change could potentially affect employee safety and our operations. On the other hand, changes to the social environment could also create opportunities for the Company, such as offering payment plans with favorable interest rates for "green vehicles and equipment" produced in response to climate change.</p>	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
(4) Has the Company taken inventory of greenhouse gas emissions, water consumption, and total weight of waste generated within the last two years, and formulated policies of energy conservation, carbon emission reduction, greenhouse gas reduction, water use reduction, and waste management?	V		<p>One of the measures we've taken is to reduce overconsumption by improving resource efficiency, thereby lowering operating costs.</p> <p>(a) As part of our efforts to conserve energy and reduce carbon emissions, we use energy-efficient LED light panels, water-saving devices, labeling of light switches by areas, and waste sorting at the office. We also impose the 5S policy and encourage employees to turn off all lights, AC, and computers as they exit the office for the day, and the practice has now become a habit for everyone. This can be found in the ESG Report of the Company.</p> <p>(b) Consumption statistics for the past two years: HFC implemented the GHG inventory which were following the ISO 14064-1 and audited by the third party for the consecutive two years. For more details about the consumption data of water, and waste please refer to our ESG Report or ESG website.</p>	Compliant
4. Social topics (1) Has the Company formulated appropriate management policies and procedures according to applicable regulations and the International Bill of Human Rights?	V		Our human resources policies are made according to the <i>Labor Standards Act</i> and the <i>Act of Gender Equality in Employment</i> , and clearly prohibit discrimination based on gender, race, social status, age, marital or family status in hiring, promotion, and other evaluation process. Our human resources practices concerning all employees are in full compliance with the <i>Labor Standards Act</i> .	Compliant
(2) Has the Company adopted and implemented a reasonable employee remuneration policy (including salary, vacation time, and other benefits), and do their salaries properly reflect their work performance and results?	V		<p>The Company's employees enjoy the following welfare support: competitive salary, year-end bonus that is above market average, sales bonus, merit increase, incentive bonus (incentive bonus policy is adopted by job functions), group insurance, accident insurance, holiday bonus and gifts, cash gifts for birthdays, scholarships, employee discount at partnered stores, grants for language classes, rewards based on scores of foreign language proficiency test, employee discount for car purchases, regular health checkups, medical allowance, wedding gifts, newborn gifts, consolation payment and support for deaths and hospitalization of employees and their family members, leave travel allowance, leisure travel contest, and a variety of club activities.</p> <p>We have a reasonable and fair remuneration policy which includes a performance review process and an incentive and disciplinary system; it also ties employee bonus to their performance, which is reflected in the bonuses paid. Each of the benefit programs complies with applicable laws and regulations and is designed to cater to the needs of</p>	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
(3) Does the Company provide a safe and healthy working environment and offer regular training on workplace health and safety for employees?	V		<p>our employees.</p> <p>The Company upholds the principle of safety first and is committed to providing a safe working environment, planning and implementing relevant safety protection measures to construct a safe and reliable operating environment, with specific measures as follows:</p> <ul style="list-style-type: none"> <li>(a) Each office of the Company has appointed safety and health supervisor(s) according to the law.</li> <li>(b) Fire-fighting facilities are installed in accordance with laws and regulations.</li> <li>(c) First aid kits and AEDs are installed in our offices.</li> <li>(d) Provide regular employee health checkups according to employee's age and care about employee's health condition.</li> <li>(e) Office decoration in accordance with building or fire safety regulations.</li> <li>(f) The office is centrally air-conditioned, with adequate lighting and access control to protect the safety of employees.</li> <li>(g) Quarterly workplace disinfection.</li> <li>(h) Drinking water dispenser filters are regularly replaced.</li> <li>(i) Cooperate with the building management to carry out fire drills and earthquake drills.</li> <li>(j) Immediately stop operations in the event of a disaster, provide assistance, and give leaves for occupational injuries in accordance with the law.</li> <li>(k) Assist employees to apply for labor insurance, group insurance and other related subsidies, as well as provide employees with the necessary assistance in the shortest possible time in the event of an accident.</li> <li>(l) New life of pandemic prevention: off-site office, daily self-health management of employees, and the pandemic prevention in the office area.</li> <li>(m) Provide regular online emotional stress relief information e-newsletter, and provide stress relief rest room.</li> <li>(n) Set up breastfeeding room(s) for employees to use.</li> </ul> <p>The Company had no occupational accidents occurred in the past year.</p>	Compliant
(4) Has the Company created an effective career development training program for its employees?	V		<p>Every year, we design an annual education and training program aimed to develop employee competencies for all job grades. In addition to traditional classes, we offer an online learning platform to further improve learning effectiveness via diversified means. We also incorporate job rotation, grants for language lessons, and external training to facilitate the future development of our employees.</p> <p>The three major cores of our employee training are</p>	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>the Training Roadmap, the OJT model, and the Online Compulsory Training.</p> <p>Training Roadmap: The roadmap plans for different levels of employees are presented. Courses of business management training, rising-star training, sales training, and freshman training have been held, covering the overall employees and managers of the Company.</p> <p>OJT model: The training framework consists of attitude, works, and skills. This is the best learning path in each department, and improves the professionalism of employees.</p> <p>Online Compulsory Training: A variety of courses in different online MBA schools (Management School, Marketing School, and Sales School) are designed for different working fields. The online training has linked together relevant information, guiding processes, and current practices while we plan to include corporate finance, channel sales and more training in the future to be more comprehensive.</p> <p>This is also in the Company's vision to provide different ways of learning and various resources of training. We emphasize on a full range of sustainable learning in order to achieve the goals of developing and retaining talents as well as growing together as a whole. The following are the six ways to do so: Comprehensive competency framework, a variety of online selective courses, job rotation program, lineup of professional lecturers, company publications, and robust language learning programs. In 2022, there are 37 classes of employee training and in total 19,329 employees have completed these training classes.</p>	
(5) For the health, safety, privacy of customers, marketing & labeling, etc., does the Company advertise and label its products and services in compliance with relevant regulations and international standards, and has the Company adopted relevant policies and complaint handling procedures to protect the rights of consumers or	V		At HFC, our marketing procedures comply with the requirements and restrictions on the use of personal information under the <i>Personal Data Protection Act</i> . We also comply with consumer protection laws and regulations regarding the provision of products and services, so that consumers have an adequate contract review period to understand the contents of service or product. As for the marketing and labeling, our procedures are also in compliance with the <i>Fair Trade Act</i> . We highly value the opinions of our customers. Not only do we make customer visits from time to time, we also provide a communication channel through our website (i.e., contact number	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
customers?  (6) Has the Company adopted a supplier management policy to require all suppliers to comply with environmental, occupational safety and health, and labor and human rights regulations? If so, what is the implementation status?	V		<p>and email) for customer inquires and feedbacks, which are processed in discretion to protect the rights of our customers and consumers.</p> <p>We have established supplier management procedures for suppliers, and conducted supplier evaluation and assessment in the fourth quarter of each year for qualified and registered suppliers. For registered suppliers, before making deals with the Company, they are required to sign a supplier undertaking to ensure that they have not received bribes and comply with relevant laws and regulations, in addition to signing an integrity undertaking to protect labor rights and to work together for environmental protection and compliance with policies and laws. In addition, through communication and mentoring, we work together with our suppliers to obtain sustainable development for each other.</p> <p>In 2022, we have 46 suppliers. The rate of supplier assessment participation is 100%. 24 of our suppliers have obtained Level A, 22 received Level B, and 0 supplier gotten Level C.</p> <p>The content of supplier communication and mentoring for the year of 2022: a) Introduction of the <i>Occupational Safety and Health Act</i>, b) Analysis of fatal occupational accidents</p>	Compliant
5. Does the Company follow GRI standards or guidelines in preparing non-financial disclosures such as the ESG report? Has the report been assured or guaranteed by a third-party verification agency?	V		<p>We have been preparing the annual ESG Report pursuant to the <i>Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies</i> and the GRI Guidelines since 2019. The Report is assured by the BSI Taiwan Branch in accordance with GRI Standards (Core) and AA1000AS Type 1 moderate level requirements. We have engaged PricewaterhouseCoopers Taiwan to conduct an independent limited assurance on our ESG Report according to the Statements of Assurance Engagements Standard No. 1 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” published by the Accounting Research and Development Foundation. Once completed, the 2022 ESG Report will be made available on our corporate website and MOPS.</p>	Compliant
6. If the Company has established its own ESG best practice principles based on the <i>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</i> , please describe any deviation between the Company’s principles and its practices: We have adopted our own <i>Corporate Social Responsibility Best Practice Principles</i> (a proposal of renaming it to the “ <i>ESG Best Practice Principles</i> ” will be presented in the next Board meeting) which we continue to adhere to in our practices. There is no major deviation between the <i>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</i> and our practices.				
7. Other important information to facilitate a better understanding of the Company’s ESG practices: none.				

### III. Corporate Governance

#### 3.4.6 Ethical Corporate Management and Deviations from the *Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies*

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
1. Establish ethical corporate management policies and programs				
(1) Has the Company formulated ethical corporate management policies and procedures approved by the Board in its internal rules and regulations and external documents, as well as the commitment from its Board and management to implement the policies?	V		The <i>Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Guidelines, and Code of Ethics</i> were respectively adopted and approved by the Board, which are aimed to help the Board of Directors and management to have a full understanding of ethical business practices and ensure that all internal management and external business activities are in compliance with these guidelines.	Compliant
(2) Has the Company established a risk assessment mechanism and routinely analyze and evaluate those business activities that have a higher risk of unethical behavior? Have adequate measures been adopted to prevent unethical behaviors, which should at least include the preventive measures stated in Article 7, Paragraph 2 of the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> ?	V		We have adopted relevant preventive measures against dishonest conduct and evaluation mechanism, the scope of which covers the conducts in paragraph 2 of Article 7 of the " <i>Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Guidelines</i> " and encourage internal and external personnel to report any unethical or improper conduct. The directors and managerial officers of our company are expected to adhere to ethical business practices as the utmost priority and should recuse themselves when the decisions or transactions conflict with their own personal interests. In addition, internal audit officers should regularly report to the Board of Directors with respect to the Company's compliance of internal rules and other regulations.	Compliant
(3) Has the Company established relevant operating procedures, code of conduct, disciplinary actions for violations, and grievance procedures under the policy to prevent unethical behaviors? And has the Company implemented and regularly review and revise the above policy?	V		Our <i>Workplace Rules and Ethical Corporate Management Best Practice Principles</i> are designed to prevent unethical behaviors from interfering with our business relationships and transactions by prohibiting employees from using their positions for personal gains, or accepting hospitality, gifts, kickbacks, or misappropriating company funds, or receiving other unlawful interests.	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
2. Ethical business practices				
(1) Does the Company evaluate the ethical records of business partners and include ethics clauses in business contracts to impose ethical conduct?	V		Before entering into a contract with our business partners, we perform a due diligence to be adequately informed of and to evaluate their ethical business practices and relevant records, and we include ethics clauses in our business contracts.	Compliant
(2) Has the Company established a business unit delegated by the Board to promote business ethics and regularly (or at least once a year) deliver a report to the Board on the implementation and oversight of ethical corporate management policies and programs to prevent unethical behaviors?	V		<p>The Planning and Administration Department is the business unit charged with the responsibilities of amending, implementing, explaining, and providing consultation with respect to the <i>Ethical Corporate Management Best Practice Principles</i>, as well as filing suspicious report of misconduct; the Auditing Department is assigned the task to oversee the foregoing activities and regularly report to the Board.</p> <p>On December 21, 2022, the implementation of the integrity management supervision for the year has been reported to the 15<sup>th</sup> meeting of the 10<sup>th</sup> Board of Directors.</p>	Compliant
(3) Has the Company established policies to prevent conflicts of interest, provided appropriate communication channels, and properly implemented the policies and measures?	V		<p>The Company's <i>Code of Conduct for Integrity</i> has a conflict of interest prevention policy, and <i>The Rules and Procedures of Board Meetings</i> of the Company also require the directors to recuse themselves from the discussion and voting of an item on the agenda whenever they or the corporate shareholders they represent have a conflict that might adversely affect the interests of the Company; in which case, they are also prohibited from acting as a proxy for another director to exercise his voting rights. We also provide a communication channel for our stakeholders through the corporate website so that we can effectively respond to their concerns.</p> <p>We have established an effective accounting and internal control system which is regularly audited by internal audit officers who will then report to the Board of Directors.</p>	Compliant
(4) In order to achieve ethical business practices, has the Company established an effective accounting and internal control system, and had its internal audit unit formulate an audit plan based on the ethics risk assessment results and review the compliance of its program to prevent	V		We have established an effective accounting and internal control system which is regularly audited by internal audit officers who will then report to the Board of Directors.	Compliant

### III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
<p>unethical behaviors accordingly, or engaged external auditors to do so?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on ethical business practices?</p>	V		<p>The Company holds regular education and training on ethical corporate management. In 2022, the education and training for ethical corporate management included: intellectual property rights, anti-bribery, information security education, prevention of insider trading, personal data act, and occupational safety related education.</p> <p>Class Size: 1,075 students/class Class Hours: 30 minutes/class Total Number of Class Hours per Person: 3 hours</p>	Compliant
<p>3. Reporting system</p> <p>(1) Has the Company established a reporting and reward system and an integrity hotline? Does the Company assign a contact person to an employee who was reported for alleged ethics violations?</p>	V		<p>We have adopted specific reward and whistleblower system through the <i>Ethical Corporate Management Best Practice Principles</i> and <i>Code of Ethics</i>, and established a grievance procedure and contact email on our corporate website. Our Auditing Department has been designated as the responsible business unit accepting ethics violation reports.</p>	Compliant
<p>(2) Has the Company established standard operating procedures, post-investigation follow-up, and confidentiality measures for the investigation of reported incidents?</p>	V		<p>Any reported incident and subsequent investigation are handled in strict confidence and conducted with high discretion according to the procedures set out in our internal rules and regulations.</p>	Compliant
<p>(3) Does the Company take precautionary measures to protect whistleblowers from reprisals?</p>	V		<p>The Auditing Department maintains absolute anonymity of the whistleblower's identity as well as the confidentiality of reported incident to protect the whistleblower from reprisals.</p>	Compliant
<p>4. Enhancing information disclosure</p> <p>(1) Has the Company disclosed its ethical corporate management policies and results of implementation on the Company's website and MOPS?</p>	V		<p>We have disclosed our ethical business practices under the <i>Ethical Corporate Management Best Practice Principles</i> on our corporate website and MOPS.</p>	Compliant
<p>5. If the Company has established the ethical corporate management policies based on the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>, please describe any discrepancy between the policies and its practices: We have adopted our own <i>Ethical Corporate Management Best Practice Principles</i> and <i>Ethical Corporate Management Operating Procedures and Guidelines</i> which we continue to adhere to in our ethical business practices. There is no major deviation between the <i>Principles</i> and our practices.</p>				



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Evaluation Item	Implementation Status		Summary	Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N		
<p>6. Other important information to facilitate a better understanding of the Company's ethical corporate management practices (for example, if the Company has revised its <i>Ethical Corporate Management Best Practice Principles</i>):</p> <ul style="list-style-type: none"> <li>We strictly comply with the <i>Company Act</i>, the <i>Securities and Exchange Act</i>, the <i>Business Entity Accounting Act</i>, and other regulations relevant to commercial activities as the basis of implementing ethical corporate business management.</li> <li>We actively promote operating transparency and encourage the cooperation of our business partners (including dealers and suppliers) to maintain the reputation of our business.</li> </ul>				

#### 3.4.7. Corporate Governance Guidelines and Regulations

Our corporate governance guidelines and regulations can be found on our corporate website.

#### 3.4.8. Other important information to facilitate better understanding of the Company's corporate governance practices: N/A

### III. Corporate Governance

#### 3.4.9 Implementation Status of Internal Control

##### 1. Statement of Internal Control

**Hotai Finance Co., Ltd.**  
**Statement of Internal Control**

Date: March 9, 2023.

Based on an evaluation of our internal control system for the year 2022, we hereby state that:

1. The board of directors and management of Hotai Finance Co., Ltd. (the “Company”) are responsible for establishing, implementing, and maintaining adequate internal control over financial reporting. The Company has established an effective internal control system which aims to provide reasonable assurance regarding operational results and effectiveness (including profitability, performance, safeguarding of assets), reliability, timeliness and transparency of its financial reporting, and compliance with applicable laws and regulations.
2. Due to its inherent limitations, internal control over financial reporting can only provide reasonable assurance on the achievement of the three objectives above. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in environment or conditions. However, the internal control system of the Company has a self-monitoring mechanism which allows the Company to take corrective actions as soon as any inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system based on the criteria established in the Framework for the Establishment of Internal Control System by Public Companies (the “Framework”). The Framework defines internal control as a process effected by management, consisting of five components: a) Control environment, b) Risk assessment, c) Control activities, d) Information and communication, and e) Monitoring, each comprising of several elements. For more information, please refer to the Framework.
4. We have reviewed the design and operating effectiveness of the Company’s internal control system based on the criteria established in the Framework.
5. Based on the evaluation, we conclude that the Company maintained an effective design and operation of its internal control system (including oversight and management of subsidiaries) as of December 31, 2022, providing reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations, reliability, timeliness and transparency of financial reporting, and compliance with applicable laws and regulations.
6. This statement shall be included as part of the annual report and future prospectus of the Company and disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171, and Article 174 of the *Securities and Exchange Act*.
7. This statement was unanimously approved with zero objections by the board of directors of the Company on March 9, 2023, with eight directors present at the meeting.

Liu, Yuan-Sheng  
*Chairman*

Lin, Yen-Liang  
*President*

Hotai Finance Co., Ltd.

2. A separate auditor’s report shall be included where an independent registered public accounting firm has reviewed the Company’s internal control system: None.

### III. Corporate Governance

3.4.10 If there were any penalties imposed on the Company or its personnel pursuant to the law, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules in the last fiscal year and as of the date of this annual report, please specify the penalties/disciplinary actions imposed, regulations/rules violated, and corrective actions taken: N/A

#### 3.4.11 Major Resolutions of the Shareholders Meeting and Board Meetings

##### (1) Major Resolutions of the 2022 Annual General Meeting of Shareholders

Date	Ratification and Discussion	Resolution	Implementation Status
June 23, 2022	Ratification of FY2021 Business Report and Financial Statements	Approved	Relevant report and financial statements have been filed in compliance with the law
	Ratification of the proposed FY2021 profit distribution plan	Approved	Cash dividends are declared at NT\$ 4.2 per share. Ex-dividend date: July 18, 2022 Payment date: July 29, 2022
	Amendment to the Company's "The Articles of Incorporation"	Approved	Posted on the Company's website
	Amendment to the Company's "Handling Procedure for Acquisition or Disposition of Assets"	Approved	Posted on the Company's website
	Amendment to the Company's "Handling Procedure for the Transaction of Derivatives"	Approved	Posted on the Company's website
	Amendment to the Company's "Operation Procedure for Endorsements and Guarantees"	Approved	Posted on the Company's website
	Proposal for release of the non-competition restriction imposed on directors	Approved	Posted on MOPS on June 23, 2022
	Proposal to repeal Company's "Regulations for the Payment of Gratuity to the Retiring Chairman and Vice Chairman of the Board of Directors"	Approved	Implemented in accordance with the resolutions of the shareholders' regular meeting

### III. Corporate Governance

#### (2) Major Resolutions of Board Meetings in 2022 and as of the Date of this Annual Report

Date	Session and Term	Resolutions
January 18, 2022	7 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Adjustment of salary structure</li> <li>2. Establishment of the <i>Procedures for Preparing and Verifying the ESG Report</i></li> <li>3. Provide Letter of Support to Banks for Hoyun International Leasing Co., Ltd</li> </ol>
March 8, 2022	8 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. FY2021 business report and financial statements</li> <li>2. FY2021 compensation allocated to employees</li> <li>3. FY2021 dividend policy</li> <li>4. Amendment to the <i>The Articles of Incorporation</i></li> <li>5. Amendment to the <i>Handling Procedure for Acquisition or Disposal of Assets</i></li> <li>6. Amendment to the <i>Handling Procedure for the Transaction of Derivatives</i></li> <li>7. Amendment to the <i>Operation Procedure for Endorsements and Guarantees</i></li> <li>8. The release of the non-competition restriction imposed on directors</li> <li>9. Proposal to repeal the <i>Regulations for the Payment of Gratuity to the Retiring Chairman and Vice Chairman of the Board of Directors</i></li> <li>10. Convening the shareholders' meeting</li> <li>11. Proposal for releasing the prohibition on managerial personnel from participation in competitive business</li> <li>12. Statement of Internal Control System</li> <li>13. Proposal of appointment of certified public accountant</li> <li>14. Proposal to move the headquarters' location for business purpose</li> <li>15. The disposal of right-of-use real estate assets acquired from related parties</li> <li>16. Provide Guarantee to Banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd</li> <li>17. Proposal for providing letter of support to banks for Hoing Mobility Service Co., Ltd</li> <li>18. Provide Letter of Support to Banks for Hoyun International Leasing Co., Ltd.</li> <li>19. Proposal for providing letter of support to banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd.</li> </ol>
May 5, 2022	9 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. 2022 Q1 consolidated financial statements of the Company</li> <li>2. FY2021 performance bonus paid to the executive officers and employees' remuneration</li> <li>3. Proposal for launching syndicated loan</li> <li>4. Proposal for applying and launching foreign loan</li> <li>5. Proposal for issuing bonds</li> <li>6. Provide guarantees to banks for HE-JING CO., LTD</li> <li>7. Provide guarantees to banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd</li> <li>8. Provide letter of support to banks for Hoyun International Leasing Co., Ltd.</li> <li>9. Provide letter of support to banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd.</li> <li>10. Amend the System of Internal Control</li> <li>11. Proposal for replacing of compliance officer of Anti-Money Laundering and Countering the Financing of Terrorist of the Company</li> </ol>
June 23, 2022	10 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Amendment to the 2022 annual budget</li> <li>2. Proposal for Issuing Preferred Shares A</li> <li>3. Propose to revise the Corporate Social Responsibility (CSR) Practice Principles</li> </ol>
August 04, 2022	11 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. The Q2 2022 consolidated financial statements</li> <li>2. Proposal of establishing record date of cash capital increase through issuance of Preferred Shares A</li> <li>3. Proposal of establishing method of issuing Preferred Shares A in connection with a cash capital increase for employee stock subscription</li> <li>4. Proposal of issuing Preferred Shares A in connection with a cash capital increase for employee stock subscription to executive officers</li> <li>5. Provide Guarantee to Banks for HEJUN ENERGY CO., LTD.</li> <li>6. Proposal for lending funds to HEJUN ENERGY CO., LTD.</li> <li>7. Proposal for providing letter of support to banks for Hoing Mobility Service Co., Ltd.</li> <li>8. Provide Letter of Support to Banks for Hoyun International Lease Co., Ltd.</li> </ol>
August 26, 2022	12 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Proposal for purchasing office space</li> <li>2. Proposal for issuing secured bonds</li> <li>3. Proposal for launching syndicated loan</li> <li>4. Proposal for applying and launching foreign loan</li> <li>5. Proposal of FY2022 executive officer remuneration</li> </ol>

### III. Corporate Governance

Date	Session and Term	Resolutions
		<ol style="list-style-type: none"> <li>6. Proposal to amend "Risk management policy"</li> <li>7. Proposal to amend "the Corporate Governance Best Practice Principles for the Company"</li> <li>8. Proposal to amend "Procedures for Handling Material Inside Information"</li> </ol>
September 23, 2022	13 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Provide Guarantee to Banks for HEJING CO., LTD.</li> <li>2. Provide Letter of Support to Banks for HEJING CO., LTD.</li> <li>3. Provide Letter of Support to Banks for HEJUN ENERGY CO., LTD.</li> </ol>
November 03, 2022	14 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. The Q3 2022 consolidated financial statements</li> <li>2. Provide Guarantee to Banks for HEJING CO., LTD.</li> <li>3. Provide Letter of Support to Banks for Hoyun International Leasing Co., Ltd.</li> <li>4. Proposal for appointing the Remuneration Committee member</li> <li>5. Proposal for appointing the Risk Management Committee member</li> </ol>
December 03, 2022	15 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. 2023 annual budget and implementation plan</li> <li>2. 2023 annual audit plan</li> <li>3. Provide Guarantee to Banks for HEJING CO., LTD.</li> <li>4. Proposal for lending funds to HEJING CO., LTD.</li> </ol>
January 16, 2023	16 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Proposal of appointment of certified public accountant</li> <li>2. Proposal of personnel appointment</li> <li>3. Provide Guarantee to Banks for HEJING CO., LTD.</li> <li>4. Provide Letter of Support to Banks for Hoyun International Leasing Co., Ltd.</li> <li>5. Provide Letter of Support to Banks for Wei Tien Energy Storage Co., Ltd.</li> </ol>
March 09, 2023	17 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. 2022 business and financial report</li> <li>2. Proposal for 2022 compensation allocated to employees</li> <li>3. Proposal for 2022 dividend policy</li> <li>4. Proposal for Stock dividends and the issue of new shares</li> <li>5. Amendment to the Company's "The Articles of Incorporation"</li> <li>6. Amendment to the Company's "Handling Procedure for the Transaction of Derivatives"</li> <li>7. Proposal for By-election of one independent director for the 10th Board</li> <li>8. Proposal for release of the non-competition restriction imposed on directors</li> <li>9. Convene 2023 annual stockholders' meeting</li> <li>10. Proposal of release the prohibition on managerial personnel from participation in competitive business</li> <li>11. Statement of Internal Control System</li> <li>12. Provide Guarantee to Banks for HEJUN Energy Co., Ltd.</li> <li>13. Provide Guarantee to Banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd.</li> <li>14. Provide Letter of Support to Banks for HEJING Co., Ltd.</li> <li>15. Provide Letter of Support to Banks for HEJUN Energy Co., Ltd.</li> <li>16. Provide Letter of Support to Banks for Hoyun International Leasing Co., Ltd.</li> <li>17. Provide Letter of Support to Banks for Hoyun (Shanghai) Commercial Factoring Co., Ltd.</li> </ol>

3.4.12 Summary of dissenting opinions on record or in writing made by any director to any important resolutions passed by the Board of Directors in the last fiscal year and as of the date of this annual report: N/A.

3.4.13 Summary of the resignation and removal of the Company's chairman, president, chief accounting officer, chief finance officer, chief internal audit officer, chief governance officer, and chief R&D officer in the last fiscal year and as of the date of this annual report: N/A

### III. Corporate Governance

#### 3.5 Audit Fees

##### 3.5.1. Audit Fees

Unit: NT\$ in Thousands

Accounting Firm	Auditors	Audit Period	Audit Fees	Non-audit Fees				Total Fees	Remarks
				System Design	Company Registration	Human Resources	Other Services		
PricewaterhouseCoopers Taiwan	Wang, Fang-Yu  Hsiao, Chun-Yuan	January 2022 to December 2022	\$3,910	\$11,675				\$15,585	Non-audit fees shall refer to tax compliance audit, company registration, transfer pricing report, ESG Counselling, and other project consultation
				—	\$215	—	\$11,460		

3.5.2. Disclosure of any change of certified public accounting firm, and the amount, percentage and reasons of the decrease where the audit fees are lower than the previous fiscal year: N/A

3.5.3. Disclosure of the amount, percentage, and reasons of the decrease where the audit fees are lower than the previous fiscal year by 10% or more: None

### III. Corporate Governance

#### 3.6 Disclosure of Change of Auditors

##### 3.6.1 Predecessor Auditor(s):

Date of change	January 16, 2023
Summary and Reasons of change	Due to the internal job rotation of the accounting firm, the then external auditors, Wang, Fang-Yu and Hsiao, Chun-Yuan are replaced by Hsiao, Chun-Yuan and Lin, Chia-Hung.
Has the auditor(s) resigned or declined to stand for reappointment?	N/A
If the auditor(s) has issued an audit report expressing an opinion other than unqualified opinion within the last two years, please state the opinion and reason	N/A
State whether there is any disagreement with the Company	N/A
Other disclosures pursuant to Article 10, Paragraph 6, Subparagraph 1, Item 4-7 of the <i>Regulations Governing Information to be Published in the Annual Reports of Public Companies</i>	N/A

##### 3.6.2 Successor Auditor(s):

Accounting firm	PricewaterhouseCoopers Taiwan
Auditors	Hsiao, Chun-Yuan and Lin, Chia-Hung
Date of appointment	January 16, 2023
Opinions about the accounting treatment or principles applied to specific transactions, or the financial statements prior to the acceptance of engagement	N/A
Written opinion of successor auditor(s) on the disagreements with predecessor auditor(s)	N/A

3.6.3 Written communication from the predecessor auditor(s) in response to disclosure under Article 10, Paragraph 6, Subparagraph 1 and Article 10, Paragraph 6, Subparagraph 2, Item 3 of the *Regulations Governing Information to be Published in the Annual Reports of Public Companies*: N/A

3.7 Disclosure of the Company's chairman, president, chief financial officer, or chief accounting officer who has held a position at the Company's independent certified public accounting firm or its affiliates in the last fiscal year: N/A

### III. Corporate Governance

#### 3.8 Changes in Shareholding and Pledged Shares of Directors, Managerial Officers, and Shareholders Holding More Than 10% of the Company's Shares

##### 3.8.1 Changes in Shareholding of Directors, Managerial Officers, and Major Shareholders

Title	Company Name/Name	2022		As of April 2, 2023	
		Shares Held +(-)	Pledged Shares +(-)	Shares Held +(-)	Pledged Shares +(-)
Director and Chairman Representative of Corporate Shareholder/Major Shareholder Holding More Than 10% of the Shares	Hozan Investment Co., Ltd.	—	—	—	—
Director Representative of Corporate Shareholder	Liu, Yuan-Sheng	—	—	—	—
Director Representative of Corporate Shareholder	Roger Huang	—	—	—	—
Director Representative of Corporate Shareholder	Su, Chwen-Shing	—	—	—	—
Director Representative of Corporate Shareholder	Leon, Soo	—	—	—	—
Director Representative of Corporate Shareholder	Ryan Huang	—	—	—	—
Director Representative of Corporate Shareholder/Major Shareholder Holding More Than 10% of the Shares	Toyota Financial Services Corporation	—	—	—	—
Director Representative of Corporate Shareholder (Note1)	Masayoshi Hori	—	—	—	—
Director Representative of Corporate Shareholder (Note1)	Shin Abe	—	—	—	—
Independent Director	Huang, Ming-You	—	—	—	—
Independent Director	Mao, Wei-Lin	—	—	—	—
Independent Director (Note 2)	Hu, Han-Miao	—	—	—	—
President	Lin, Yen-Liang	4,000	—	—	—
Vice President and Chief Finance Officer	Liao, Wen-Chung	2,000*	—	—	—
Vice President	Lin, Jui-Chi	—	—	—	—
Senior Manager (Note 3)	Ryan Huang	—	—	—	—
Senior Manager	Tu, Chun-I	1,000	—	—	—
Senior Manager	Liao, Chin-Tso	10,000*	—	—	—
Senior Manager (Note 4)	Yang, Kai-Jung	—	—	—	—
Chief Accounting Officer	Tsai, Chia-Ming	—	—	—	—

Note1: The Corporate Director, Toyota Financial Services Co., Ltd., reassigned its representative from Masayoshi Hori to Shin Abe on 2023/4/1.

Note2: Resigned on September 30 2022

Note3: Resigned on January 2022

Note4: Took office on February 2023

Note5 : The sign of "\*" means preferred share A.

##### 3.8.2 Transfer of Shares to a Related Party by Directors, Managerial Officers, or Shareholders Holding More Than 10% of the Company's Shares: N/A

##### 3.8.3 Pledge of Shares to a Related Party by Directors, Managerial Officers, or Shareholders Holding More Than 10% of the Company's Shares: N/A



### III. Corporate Governance

#### 3.9 Relationships Among the Top 10 Shareholders

As of April 2, 2023

Name	Share Ownership		Share Ownership of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Related Party or Spousal or Familial Relationship within the Second Degree of Kinship among Top 10 Shareholders		Remarks
	Number	%	Number	%	Number	%	Company Name/Name	Relation ship	
Hozan Investment Co, Ltd. Representative: Leon Soo	233,782,831	45.39%	—	—	—	—	Hoyu Investment Co., Ltd.	Other related parties	—
Toyota Financial Services Corporation Representative: Hiroyoshi Korosue	118,249,872	22.96%	—	—	—	—	—	—	—
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	19,090,000	3.71%	—	—	—	—	—	—	—
Hoyu Investment Co., Ltd. Representative: Lin, Li-Hua	5,517,000	1.07%	—	—	—	—	Hozan Investment Co, Ltd.	Other related parties	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,308,000	0.45%	—	—	—	—	—	—	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,272,000	0.44%	—	—	—	—	—	—	—
UBS Europe SE Investment Account under the custody of Citibank Taiwan	2,078,425	0.40%	—	—	—	—	—	—	—
Lifong Global Co., Ltd. Chen, Li-Chun	2,000,000	0.39%	—	—	—	—	—	—	—
Ming Yi Investment Co., Ltd. Representative: Tsai, Sung-Po	1,865,000	0.36%	—	—	—	—	—	—	—
ISHARES Core MSCI Emerging Markets ETF Investment Account under the custody of Standard Chartered Bank (Department of Business)	1,851,000	0.36%	—	—	—	—	—	—	—

Note: The above table lists the top ten shareholders in terms of common stock ownership.

### III. Corporate Governance

#### 3.10 Share Ownership in Affiliates

As of December 31, 2022  
Units: thousand shares; %

Affiliates (Note 1)	Share Ownership by the Company		Share Ownership by Directors, Managerial Officers, or Entities Directly or Indirectly Controlled by the Company (Note 2)		Total Share Ownership	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Hoyun International Limited	40,400	50.50%	39,600	49.50%	80,000	100.00%
HEJING Co., Ltd.	81,000	81.00%	—	—	81,000	81.00%
HEJUN Energy Co., Ltd.	80,000	80.00%	—	—	80,000	80.00%
Hoing Mobility Service Co., Ltd.	31,000	50.82%	—	—	31,000	50.82%
Hotai Mobility Service Co., Ltd.	12,000	27.40%	—	—	12,000	27.40%

Note 1: The investment is made under the equity method.

Note 2: The Company's corporate shareholders, Hozan Investment Co, Ltd. and Toyota Financial Services Corporation, hold 49.50% shares of Hoyun International Limited through its subsidiary, Hotai Leasing Co., Ltd.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### (1) Capitalization

As of April 2, 2023

Units: thousand shares; NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of Capital	Capital increased by Assets Other than Cash	Other
May 1999	10	30,000	300,000	30,000	300,000	Equity received at incorporation	-	<i>Note 1</i>
August 2001	10	100,000	1,000,000	49,800	498,000	Cash	-	<i>Note 2</i>
August 2002	10	100,000	1,000,000	57,270	572,700	Earnings	-	<i>Note 3</i>
August 2003	10	100,000	1,000,000	65,861	658,605	Earnings	-	<i>Note 4</i>
July 2004	10	100,000	1,000,000	75,740	757,396	Earnings	-	<i>Note 5</i>
February 2005	19.5	101,381	1,013,808	101,381	1,013,808	Cash	-	<i>Note 6</i>
August 2005	10	150,000	1,500,000	113,547	1,135,465	Earnings	-	<i>Note 7</i>
July 2006	10	150,000	1,500,000	131,714	1,317,139	Earnings	-	<i>Note 8</i>
August 2007	10	150,000	1,500,000	142,251	1,422,511	Earnings	-	<i>Note 9</i>
November 2008	10	200,000	2,000,000	155,053	1,550,537	Earnings	-	<i>Note 10</i>
August 2009	10	200,000	2,000,000	167,457	1,674,579	Earnings	-	<i>Note 11</i>
July 2010	10	200,000	2,000,000	177,505	1,775,055	Earnings	-	<i>Note 12</i>
July 2011	10	200,000	2,000,000	192,593	1,925,934	Earnings	-	<i>Note 13</i>
July 2012	10	300,000	3,000,000	217,631	2,176,306	Earnings	-	<i>Note 14</i>
August 2013	10	300,000	3,000,000	248,099	2,480,988	Earnings	-	<i>Note 15</i>
July 2014	10	300,000	3,000,000	280,352	2,803,517	Earnings	-	<i>Note 16</i>
August 2015	10	400,000	4,000,000	313,994	3,139,939	Earnings	-	<i>Note 17</i>
July 2016	10	400,000	4,000,000	350,103	3,501,032	Earnings	-	<i>Note 18</i>
August 2017	10	400,000	4,000,000	374,610	3,746,104	Earnings	-	<i>Note 19</i>

## IV. Capital Overview

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of Capital	Capital increased by Assets Other than Cash	Other
January 2020	53	600,000	6,000,000	515,000	5,150,004	Cash	-	Note 20
October 2022	100	1,000,000	10,000,000	565,000	5,650,004	Issue preferred stock A	—	Note 21

Note 1: Approved by letter Jing (088) Shang Zi No. 088118239 dated May 25, 1999

Note 2: Approved by letter Jing (090) Shang No. 09001344770 dated August 31, 2001

Note 3: Approved by letter Jing Shou Shang Zi No. 09101331950 dated August 22, 2002

Note 4: Approved by letter Jing Shou Shang Zi No. 09201259200 dated August 28, 2003

Note 5: Approved by letter Jing Shou Shang Zi No. 09301121320 dated July 19, 2004

Note 6: Approved by letter Jing Shou Shang Zi No. 09401019950 dated February 5, 2005

Note 7: Approved by letter Jing Shou Shang Zi No. 09401167140 dated August 25, 2005

Note 8: Approved by letter Jing Shou Shang Zi No. 09501162050 dated July 26, 2006

Note 9: Approved by letter Jing Shou Shang Zi No. 09601202060 dated August 17, 2007

Note 10: Approved by letter Jing Shou Shang Zi No. 09701300250 dated November 25, 2008

Note 11: Approved by letter Jing Shou Shang Zi No. 09801179780 dated August 11, 2009

Note 12: Approved by letter Jing Shou Shang Zi No. 09901170880 dated July 28, 2010

Note 13: Approved by letter Jing Shou Shang Zi No. 10001168460 dated July 25, 2011

Note 14: Approved by letter Jing Shou Shang Zi No. 10101153100 dated July 27, 2012

Note 15: Approved by letter Jing Shou Shang Zi No. 10201139160 dated August 6, 2013

Note 16: Approved by letter Jing Shou Shang Zi No. 10301143800 dated July 28, 2014

Note 17: Approved by letter Jing Shou Shang Zi No. 10401159900 dated August 7, 2015

Note 18: Approved by letter Jing Shou Shang Zi No. 10501163610 dated July 15, 2016

Note 19: Approved by letter Jing Shou Shang Zi No. 10601110990 dated August 8, 2017

Note 20: Approved by letter Jing Shou Shang Zi No. 10801188570 dated January 6, 2020

Note 21: Approved by letter Jing Shou Shang Zi No. 111101192780 dated October 11, 2022

### (2) Type of stock

As of April 2, 2023; Unit: shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Unissued Shares	Total Shares	
Common Stock	515,000,407	434,999,593	1,000,000,000	Shares listed on TWSE
Preferred stock	50,000,000			

### (3) Shelf Registration: N/A

## IV. Capital Overview

### 4.1.2 Shareholders Structure

#### (1) Common Stocks

As of April 2, 2023; Units: persons, shares, %

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	34	226	21,007	108	21,377
Share Ownership	1,412,000	24,836,215	260,716,431	88,029,393	140,006,368	515,000,407
Percentage	0.27%	4.82%	50.63%	17.09%	27.19%	100.00%

#### (2) Preferred Stocks A

As of April 2, 2023; Units: persons, shares, %

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	7	42	6,150	12	6,211
Share Ownership	0	21,752,951	21,618,804	6,601,658	26,587	50,000,000
Percentage	0%	43.51%	43.24%	13.20%	0.05%	100.00%

### 4.1.3 Distribution of Share Ownership

#### (1) Common stocks

As of April 2, 2023; Units: persons, shares, %

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership (Unit: Shares)	Percentage
1 - 999	3,782	685,074	0.13%
1,000 - 5,000	14,494	25,220,286	4.90%
5,001 - 10,000	1,480	11,852,945	2.30%
10,001 - 15,000	481	6,159,212	1.19%
15,001 - 20,000	305	5,648,092	1.10%
20,001 - 30,000	289	7,353,914	1.43%
30,001 - 40,000	137	4,923,616	0.96%
40,001 - 50,000	90	4,210,432	0.82%
50,001 - 100,000	160	11,294,945	2.19%
100,001 - 200,000	69	9,501,996	1.84%
200,001 - 400,000	41	11,331,438	2.20%
400,001 - 600,000	19	9,433,000	1.83%
600,001 - 800,000	11	7,752,329	1.51%
800,001 - 1,000,000	2	1,807,000	0.35%
1,000,001 or above	17	397,826,128	77.25%
Total	21,377	515,000,407	100.00%

## IV. Capital Overview

### (2) Preferred Stocks A

As of April 2, 2023; Units: persons, shares, %

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership (Unit: Shares)	Percentage
1 - 999	2,704	428,731	0.86%
1,000 - 5,000	3,336	3,966,375	7.93%
5,001 - 10,000	97	743,557	1.49%
10,001 - 15,000	22	282,774	0.56%
15,001 - 20,000	8	142,511	0.29%
20,001 - 30,000	6	148,184	0.30%
30,001 - 40,000	4	144,650	0.29%
40,001 - 50,000	3	145,601	0.29%
50,001 - 100,000	12	852,404	1.70%
100,001 - 200,000	4	680,000	1.36%
200,001 - 400,000	3	1,000,000	2.00%
400,001 - 600,000	5	2,510,000	5.02%
600,001 - 800,000	0	0	0%
800,001 - 1,000,000	0	0	0%
1,000,001 or above	7	38,955,213	77.91%
Total	6,211	50,000,000	100.00%

#### 4.1.4 Major Shareholders

This should include all shareholders holding 5% or more of the shares of the Company. If the number of the shareholders who meet the above criteria is less than ten, the Company should disclose the names, share ownership and percentage of ownership of its top ten shareholders.

As of April 2, 2023; Unit: shares

Shareholders	Share Ownership	Percentage
Hozan Investment Co., Ltd.	233,782,831	45.39%
Toyota Financial Services Corporation	118,249,872	22.96%
Fubon Life Insurance Co., Ltd.	19,090,000	3.71%
Hoyu Investment Co., Ltd.	5,517,000	1.07%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,308,000	0.45%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,272,000	0.44%
UBS Europe SE Investment Account under the custody of Citibank Taiwan	2,078,425	0.40%
Lifong Global Co., Ltd.	2,000,000	0.39%
Ming Yi Investment Co., Ltd.	1,865,000	0.36%
ISHARES Core MSCI Emerging Markets ETF Investment Account under the custody of Standard Chartered Bank (Department of Business)	1,851,000	0.36%

Note: The table discloses the top ten shareholders in terms of common stock ownership.

## IV. Capital Overview

### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$, thousand shares

Item		2021	2022	As of March 31, 2023 (Note 7)	
Market Price per Share (Note 1)	Highest Market Price	93.40	129.50	122.50	
	Lowest Market Price	76.70	88.90	99.30	
	Average Market Price	85.78	104.68	113.83	
Net Worth per Share (Note 2)	Before Distribution	44.18	52.18	—	
	After Distribution	39.98	(Note 3) 48.89	—	
Earnings per Share	Weighted Average Shares		515,000	515,000	—
	Earnings per Share	Before adjusting	6.10	7.04	—
		After adjusting	6.10	(Note 3) 7.04	—
Dividends per Share	Cash Dividends		4.2 per share	3.5 per share	—
	Stock Dividends	From Retained Earnings	—	1.0 per share	-
		From Capital Surplus	—	—	-
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earnings Ratio (Note 2)		14.06	14.87	—
	Price/Dividend Ratio (Note 3)		20.42	29.91	—
	Cash Dividend Yield (Note 4)		4.90%	3.34%	—

Note 1: The highest and lowest market prices of common stock for each year are listed, and the average market price for each year is calculated based on the value and volume of transactions for each year.

Note 2: Based on the number of shares issued at the end of the year and the distribution of shares resolved by the Board of Directors or the shareholders' meeting of the following year.

Note 3: The shareholders' meeting has not yet been held to approve the earnings distribution proposal for 2022.

Note 4: Price/Earnings Ratio = Average Market Price/ Earnings per Share

Note 5: Price/Dividend Ratio = Average Market Price/ Cash Dividends per Share

Note 6: Cash Dividend Yield = Cash Dividends per Share/ Average Market Price

Note 7: Figures of net worth per share and earnings per share are data from the financial statements as of the most recent quarter audited or reviewed by the auditor; other figures reflect data from the current fiscal year and as of the date of this annual report.

### 4.1.6 Dividend Policy and Implementation Status

#### (1) Dividend policy

In accordance with the Company's Articles of Incorporation, if the Company has surplus earnings as concluded by the year-end accounting close, it shall first set aside an amount sufficient to pay income tax and make up for losses from previous years in accordance with the law. Before distributing earnings, the Company shall first set aside 10% of after-tax earnings as the legal reserve, except when the legal reserve has reached the total capital. In addition, after the special reserve is set aside or reversed and preferred stock dividends are distributed in accordance with the relevant laws and regulations, the remaining earnings together with the

## IV. Capital Overview

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undistributed earnings at the beginning of the period shall be the earnings available for distribution to shareholders, based on which, the Board of Directors shall prepare a proposal for distribution and submit it to the shareholders for resolution if there are any remaining earnings available for distribution.

The Company is currently in the growth stage. In consideration of the Company's future investment environment, capital requirements, and domestic and international competition, as well as the interests of shareholders and long-term financial planning, dividends to shareholders should be no less than 50% of the earnings available for distribution for the year, of which cash dividends should not be less than 10% of the total dividends.

The Board of Directors of the Company may, with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, resolve to distribute all or part of the dividends and bonuses payable in cash and report the resolution to the shareholders' meeting; not subject to the aforementioned requirement of a resolution of the shareholders' meeting.

### (2) Proposed distribution of profit

The Company's 2022 earnings distribution proposal, which was approved by the Board of Directors on March 9, 2023, included distribution of NT\$58,684,932 of preferred stock dividends and NT\$3.5 per common share cash dividends, totaling NT\$1,802,501,425, and common stock dividends of the Company's stock dividends amounted to NT\$1.0 per share, or NT\$515,000,410.

### 4.1.7 Impact of the Proposed Stock Dividends Distribution on the Business Performance and Earnings per Share of the Company:

The Company has not prepared any financial forecast, so it is not applicable.

### 4.1.8 Profit Sharing of Employees and Directors

#### (1) Profit sharing of employees and directors under the *Articles of the Incorporation*:

If the company has any profits in a given year, 1% of which shall be set aside for employee profit sharing distribution. However, any accumulated losses from previous year(s) shall first be offset. Payment of profit sharing to employees may be in the form of stocks or cash, and shall be approved by over half of the directors present at the board meeting attended by at least two-thirds of the directors and reported at the shareholders' meeting.

#### (2) The basis of estimating and recognizing payments of profit sharing to employees and directors, and the basis for calculating the number of shares where stock dividends are distributed to employees as profit sharing, as well as the accounting treatment when there is a difference between the estimate and actual distribution are:

Payments of profit sharing to employees and directors are recognized as expenses according to the scope and percentage stated in the *Articles of Incorporation*. If there is a difference between the estimate and the amount of actual distribution, the difference will be recognized as changes in accounting estimates and included in profit or loss in the next fiscal year.



## IV. Capital Overview

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### (3) Board approval of proposed profit-sharing plan:

- (a) The amount of profit sharing distributed to employees and directors is in the form of cash or stocks. If there is a difference between the estimate in the fiscal year where the expenses are recognized and the actual amount of distribution, the difference, reasons for the difference and accounting treatment shall be disclosed:

The profit-sharing plan of employees and directors has been approved by the Board of Directors. The amount of profit sharing distributed to employees in FY2022 is NT\$46,480 thousand. All distributions are made in the form of cash, and no difference is found between the estimate and the amount of actual distribution. The *Articles of the Incorporation* does not stipulate profit-sharing distribution to directors, and is therefore no distribution made.

- (b) Employee profit sharing in the form of stocks in percentage of net income and total amount of employee profit sharing: N/A

### (4) Shareholders' report on profit-sharing distribution:

The FY2021 employee profit-sharing plan reported at the annual general meeting of HFC on June 23, 2022 is consistent with the distribution plan approved by the Board of Directors.

- (5) For the profit distribution of employees and directors in the previous year (including number of shares distributed, amount and share price), if there is a difference between the actual amount of distribution and the expenses recognized, the difference and reasons for the difference and accounting treatment shall be disclosed:

The payment of profit sharing to employees in FY2021 is set forth in the chart below. The *Articles of Incorporation* of the Company does not stipulate profit-sharing distribution to directors and supervisors, and is therefore not included here.

Unit: NT\$ thousands

	FY2021 Estimate	Board Resolution	Difference
Payment of Profit Sharing to Employees	40,063	40,063	-

### 4.1.9 Repurchase of Shares: N/A

## IV. Capital Overview

### 4.2 Corporate Bonds

Type of Bonds	2020 1 <sup>st</sup> unsecured corporate bond	2021 1 <sup>st</sup> unsecured corporate bond	2021 2 <sup>nd</sup> unsecured corporate bond
Issuance Date	April 22, 2020	April 15, 2021	July 22, 2021
Denomination	NT\$1 million	NT\$1 million	NT\$1 million
Location of Issuance and Trading	Taiwan	Taiwan	Taiwan
Issue Price	At par	At par	At par
Total Amount	NT\$7 billion	NT\$2.2 billion	NT\$3 billion
Coupon Rate	0.70%	0.55%	0.56%
Maturity	5 Years, Maturity Date: April 22, 2025	5 Years, Maturity Date: April 15, 2026	5 Years, Maturity Date: July 22, 2026
Guarantor	-	-	-
Trustee	CTBC Bank	BANK SINOPAC	Taishin International Bank
Underwriter	Hua Nan Bank	Hua Nan Bank	Hua Nan Bank
Legal Counsel	Guo, Hui-Ji Yi Cheng Law Firm	Guo, Hui-Ji Yi Cheng Law Firm	Guo, Hui-Ji Yi Cheng Law Firm
Auditor	Wang, Fang-Yu and Lin, Se-Kai, PricewaterhouseCoopers Taiwan	Wang, Fang-Yu and Lin, Se-Kai, PricewaterhouseCoopers Taiwan	Wang, Fang-Yu and Lin, Se-Kai, PricewaterhouseCoopers Taiwan
Repayment	Repayment in lump sum at the end of five years from the issuance date	Repayment in lump sum at the end of five years from the issuance date	Repayment in lump sum at the end of five years from the issuance date
Outstanding Principal	NT\$7 billion	NT\$2.2 billion	NT\$3 billion
Redemption or Early Repayment Clauses	-	-	-
Restrictive Clauses	-	-	-
Credit Rating	N/A	N/A	N/A
Other Rights of Bondholders	Amount of ordinary shares, global depository receipts, or other securities converted (exchanged or subscribed) up to the publication date of this annual report	N/A	N/A
	Issuance and conversion (exchange or subscription) terms	N/A	N/A
Potential Dilutive Effects on Other Shares and Impact on the Rights of Existing Shareholders due to Method of Issuance and Conversion/Exchange/Subscription or Terms of Issue	-	-	-
Custodian	-	-	-

## IV. Capital Overview

Type of Bonds	2022 1 <sup>st</sup> secured corporate bond	2022 2 <sup>nd</sup> secured corporate bond	2023 1 <sup>st</sup> unsecured corporate bond
Issuance Date	January 13, 2022	June 06, 2022	March 28, 2023
Denomination	NT\$1 million	NT\$1 million	NT\$1 million
Location of Issuance and Trading	Taiwan	Taiwan	Taiwan
Issue Price	At par	At par	At par
Total Amount	NT\$3 billion	NT\$7 billion	NT\$4 billion
Coupon Rate	0.57%	1.50%	1.50%
Maturity	3 Years Maturity Date: January 13, 2025	3 Years Maturity Date: June 06, 2025	5 Years Maturity Date: March 28, 2028
Guarantor	Sumitomo Mitsui Banking Corporation Taipei Branch	Hua Nan Bank Chengdong Branch Bank of Taiwan Songjiang Branch	-
Trustee	BANK SINOPAC	BANK SINOPAC	BANK SINOPAC
Underwriter	E.SUN Commercial Bank	Hua Nan Bank	CAPITALSECURITIESCORP.
Legal Counsel	Guo, Hui-Ji Yi Cheng Law Firm	Guo, Hui-Ji Yi Cheng Law Firm	Guo, Hui-Ji Yi Cheng Law Firm
Auditor	Wang, Fang-Yu and Lin, Se-Kai, PricewaterhouseCoopers Taiwan	Wang, Fang-Yu and Hsiao, Chun-Yuan, PricewaterhouseCoopers Taiwan	Hsiao, Chun-Yuan And Lin, Chia-Hung, PricewaterhouseCoopers Taiwan
Repayment	Repayment in lump sum at the end of three years from the issuance date	Repayment in lump sum at the end of three years from the issuance date	Repayment in lump sum at the end of five years from the issuance date
Outstanding Principal	NT\$3 billion	NT\$7 billion	NT\$4 billion
Redemption or Early Repayment Clauses	-	-	-
Restrictive Clauses	-	-	-
Credit Rating	N/A	N/A	N/A
Other Rights of Bondholders	Amount of ordinary shares, global depository receipts, or other securities converted (exchanged or subscribed) up to the publication date of this annual report	N/A	N/A
	Issuance and conversion (exchange or subscription) terms	N/A	N/A
Potential Dilutive Effects on Other Shares and Impact on the Rights of Existing Shareholders due to Method of Issuance and Conversion/Exchange/Subscription or Terms of Issue	-	-	-
Custodian	-	-	-

## IV. Capital Overview

### 4.3 Issuance of Preferred Stock

Item	Issue Date	September 26, 2022 (Initial Issuance)
Denomination		NT\$10
Issue Price		NT\$100 per share
Number of Shares		50,000,000 shares
Total Amount		NT\$5 billion
Rights and Obligations	Distribution of Dividends and Bonuses	Preferred stock at 4.2% per annum (5-year IRS rate of 1.1175% + 3.0825%, non-cumulative)
	Distribution of Remaining Properties	Shareholders of preferred stocks have priority over shareholders of common stocks in the order of distribution of the remaining properties of the Company. The shareholders of various preferred stocks issued by the Company have the same order of distribution, and are all inferior to general creditors. The amount of distribution shall not exceed the amount calculated by multiplying the number of outstanding preferred stocks by the issue price at the time of distribution.
	Exercise of Voting Rights	Preferred shareholders do not have voting rights at the shareholders' meetings, but have voting rights at the preferred shareholders' meetings and the shareholders' meetings concerning the preferred shareholders' rights and obligations.
	Others	<ol style="list-style-type: none"> <li>If the Company has surplus earnings as concluded by the year-end accounting close, it shall first set aside an amount sufficient to make up for losses from previous years and pay income tax, set aside 10% as legal reserve in accordance with the Articles of Incorporation, and then set aside or reverse the special reserve in accordance with the laws or the regulations of the competent authorities. If there is still any surplus in the earnings, the remainder shall be distributed as dividends on the preferred stocks for the year.</li> <li>Dividends on the preferred stocks are calculated at an annual rate of 4.2% based on the five-year IRS rate of 1.1175% +, a fixed mark-up rate of 3.0825% on the issue price per share as of August 19, 2022. The five-year IRS rate will be reset on the next business day following the five-year anniversary of the issue date and every five years thereafter. The pricing base date for interest rate reset is the second business day prior to the interest rate reset date, and the interest rate indicator, the five-year IRS is the arithmetic average of the five-year interest rate swap quotations of "PYTWD01" and "COSMOS3" from Reuters at 11:00 a.m. Taipei time on the pricing base date for interest rate reset. If the above quotations are not available on the pricing base date for interest rate reset, the Company will decide on the basis of good faith and suitable market prices. Dividends are payable annually in cash on the base date set by the Board of Directors for the previous year. The dividends for the year of issuance and the year of redemption are calculated based on the actual number of days of issuance in that year.</li> <li>The Company has the discretion over the distribution of dividends on preferred stocks. If the Company does not have any earnings or sufficient earnings to distribute dividends on preferred stocks as concluded by the year-end accounting close, the Company may resolve to cancel the dividends on preferred stocks, which shall not constitute an event of default. Any dividends not distributed or under-distributed will not be cumulative and deferred in future years.</li> <li>Preferred stockholders shall not participate in the distribution of earnings and capital surplus by cash and by capitalization as equity.</li> </ol> <p>When the Company issues new shares for cash, preferred stockholders have the same preemptive rights to subscribe for the new shares as common stockholders.</p>

## IV. Capital Overview

Outstanding Preferred Stocks	Redeemed or Converted Amount	0	
	Un-redeemed or Un-converted Balance	NT\$5 billion	
	Redemption or Conversion Clauses	Preferred stocks have no maturity date, but the Company may redeem all or part of the preferred stocks by the actual issue price at any time from the day after the fifth anniversary of the issuance. Un-redeemed preferred stocks shall continue to be subject to the rights and obligations of the aforementioned terms of issuance. If the Company resolves to pay dividends in a year, the dividends payable as of the date of redemption shall be calculated based on the actual number of days of issuance in that year. Preferred stocks are not convertible into common stocks, and preferred stockholders do not have the right to request the Company to redeem the preferred stocks they hold.	
Price per Share	2022	Highest	98.70
		Lowest	92.30
		Average	94.33
	The Current Year up to March 31, 2023 (Note 4)	Highest	98.20
		Lowest	95.70
		Average	97.59
With Other Rights....	Converted or Subscribed Amount as of the Date of Publication of the Annual Report	Not applicable.	
	Measures for Issuance and Conversion or Subscription	Please refer to the Company's Articles of Incorporation.	
Effect of Terms of Issuance on Preferred Shareholders' Equity, Possible Dilution of Equity and Effect on Existing Shareholders' Equity	None		

Note 1: The issuance of preferred shares includes publicly and privately placed preferred stocks in process. Publicly placed preferred stocks in process are those that have become effective after being approved by the Board of Directors; privately placed preferred stocks are those that have been approved by the Board of Directors.

Note 2: The number of fields will be adjusted according to the actual number of issuances.

Note 3: Privately placed preferred stocks should be marked in a prominent manner.

Note 4: Information for the current year up to the date of publication of the Annual Report should be filled in.

Note 5: For preferred shares with stock options, the following table should also be filled out.

4.4 Global Depository Receipts: N/A

4.5 Employee Stock Options: N/A

4.6 Employee Restricted Stocks: N/A

4.7 Issuance of New Shares in Connection with Mergers and Acquisitions or in Exchange for the Shares of another Company: N/A

4.8 Fund Utilization Plans and Implementation

HFC does not have any published fund utilization plans that are either uncompleted or have been completed within the last three years but have not shown results.

## V. Operational Highlights

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### 5.1 Business Operations

#### 5.1.1 Business Activities

##### 1. Business Scope

###### (1) Main areas of business operations

The installment sales and leasing of vehicle and equipment, which include:

- Wholesale and retail of cars, motorcycles, auto parts and accessories
- General leasing and leasing of pickup trucks and passenger cars
- Purchase of accounts receivables (factoring)
- Machinery and equipment retail
- Machinery wholesale
- Electrical appliances wholesale
- Electrical appliances retail
- Wholesale of computers, office machines and equipment
- Retail of computers, office machines and equipment
- Wholesale of pollution prevention equipment
- Retail of pollution prevention equipment
- Agency service
- Overdue receivables collection and management service
- Industrial and Commercial Credit Checking Service
- Wholesale of medical supplies and equipment
- Retail of medical supplies and equipment
- Purchase of money claims of debt obligations from financial institutions
- Publish credit review and auction of money claims of debt obligations of financial institutions
- Magazine (periodical) publishing
- Combined Heat and Power
- self-usage power generation equipment utilizing renewable energy industry
- Thermal Energy Supply
- Electric Appliance Construction
- Electric Appliance Installation
- Fire Safety Equipment Installation Engineering
- Automatic Control Equipment Engineering
- Machinery Installation
- Computer Equipment Installation
- Power Consuming Equipment Inspecting and Maintenance
- Instrument and Meters Installation Engineering
- International Trade
- Energy Technical Services
- Buildings Cleaning Service
- Any other business that is not prohibited or restricted by the law

## V. Operational Highlights

### (2) Revenues by product category

Unit: NT\$ thousands

Year	2021		2022	
Item	Amount	%	Amount	%
Sales Income	1,088,021	6.06	891,141	3.91
Interest Income	10,047,326	55.95	13,561,273	59.51
Finance Lease Income	2,327,949	12.96	2,722,938	11.95
Operating Lease Income	3,344,522	18.62	4,297,082	18.86
Service Income	1,148,655	6.40	1,295,591	5.69
Other Income	1,475	0.01	19,225	0.08
Total	17,957,948	100.00	22,787,250	100.00

Source: 2021 and 2022 consolidated financial reports audited and certified by external auditors

### (3) Main products and services

The main product of HFC is to provide vehicle installment services, with the vehicle being the object of the transaction. According to the *Personal Property Secured Transaction Act*, HFC is entitled to make claims against the vehicle under the *Act* until the buyer (consumer) completes the installment payment.

### (4) New products and services development

The Company continues to conduct new product research to help business expansion and seek new installment products other than automobiles, motorcycles, and merchandise, while continuing to analyze existing installment products for optimization and new growth opportunities. Under the trend of sustainable management, the Company continues to operate its own solar energy plants and actively engages in financing business for new energy industries.

### (5) Business activities of subsidiaries

The following table lists the business activities of HFC's subsidiaries:

Company Name	Main Business Activities
Hoyun International Limited	General investment
Hoyun International Leasing Co., Ltd.	Vehicle and equipment finance leasing
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring (i.e., purchase and management of accounts receivables from a third party)
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of vehicles
Hangzhou Wangyou Technology Co., Ltd.	Leasing business
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business
Homei Consulting (Suzhou) Company Limited	Advisory service
HEJING Co., Ltd.	Vehicle installment

## V. Operational Highlights

Company Name	Main Business Activities
Hoing Mobility Service, Co., Ltd.	Leasing of light passenger vehicles
HEJUN Energy Co., Ltd.	Solar energy business
Guang Yang Energy Co., Ltd.	Solar energy business
Chaoyang Energy Co., Ltd.	Solar energy business
XianYao Energy Co., Ltd.	Solar energy business
Wei Tien Energy Storage Co., Ltd.	Energy storage business

### 2. Industry Overview

#### (1) Current status and future trends

The auto finance industry is one of the businesses that is peripheral to the financial industry, and its main purpose is to supplement the shortcomings of the finance function of capital markets and banking system. The main sources of funds of capital markets and banks are from investments and savings of the general public. To maintain financial and economic stability, there are certain limitations to the risks they are willing to take in their financing activities, and as a result, some car owners are unable to obtain financing from banks due to their occupations or credit ratings. While the current supply cannot meet the demands of these car owners, peripheral financial businesses are operated on their own funds, less regulated and more willing to bear higher risks. Therefore, they are at a better position to provide car owners with flexible financing options, which makes up for functions that the capital markets and banking system might be lacking.

The following summarizes the new vehicle sales and installment sales in Taiwan from 2017 to 2022 (in ten thousand units):

Year	2017	2018	2019	2020	2021	2022
New Vehicle Sales	44.5	43.5	44.0	45.7	45.0	43.0
Installment Sales	19.1	18.2	17.9	19.2	18.6	17.8
Installment to New Vehicle Sales Ratio	43%	42%	41%	42%	42%	41%

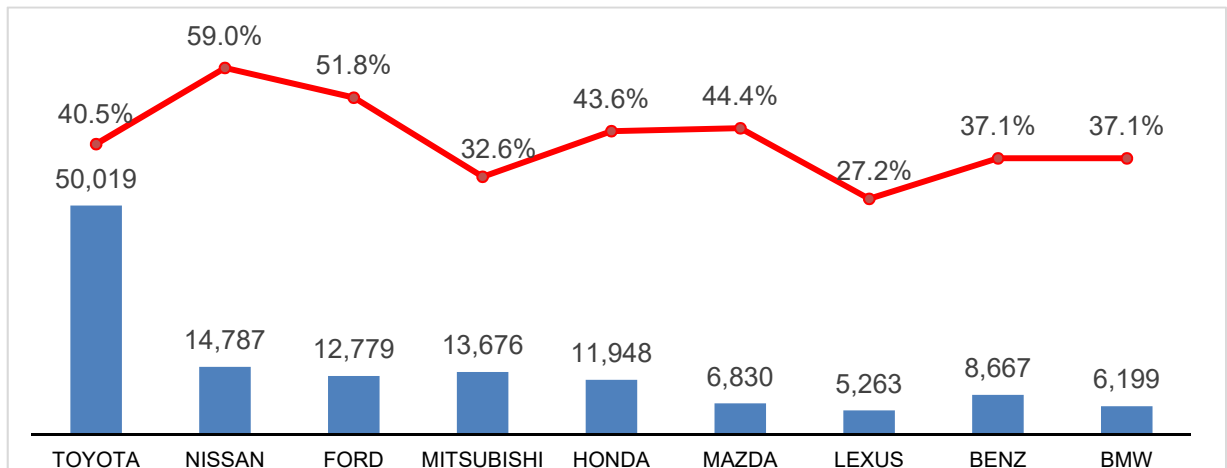
Sources: Ministry of Transportation and Communications and internal data compiled by the corporate group

Note: Figures of installment sales from 2017 to 2022 are last updated on February 2, 2023.



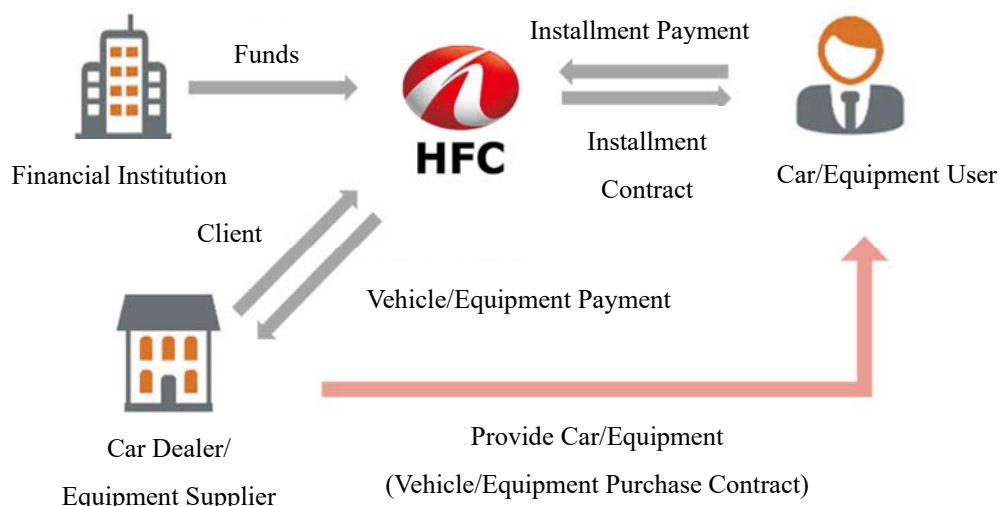
## V. Operational Highlights

The following graph shows the installment sales and installment to new vehicle sales ratio of major automakers in 2022:



Note: Last updated on February 2, 2023

### (2) Relationship with upstream, midstream and downstream companies



### (3) Product trends

In Taiwan, the financial options of installment payment and financial leasing have been gradually accepted by the public. From the Company's initial installment of new cars, installment of used cars, to that of motorcycles, equipment, merchandise, and green energy equipment that has gradually emerged in recent years, many related installment programs have been launched to the market. In an era where everything can be paid by installment, we will continue to pay attention to market dynamics, optimize our existing products, and launch new products to meet market demand.

### (4) Competition

According to the data provided by the Taipei Leasing Association, there are four major categories of businesses offering leasing services:

## V. Operational Highlights

Categories	Main Business Activities	Number of Competitors	Top Industry Players
Investments made by banks	Stable and sufficient source of funds; the depth of their business development depends on the customer list of their banking business, and their investments often focus on large-size equipment leasing	14	FCB Leasing Co., Ltd., CTBC Finance Co., Ltd., Hua Nan International Leasing Co., Ltd., SinoPac Leasing Corp., CDC Finance & Leasing Corp., IBF Financial Holding Co., Ltd., Taichung Bank Leasing Corporation Limited, Sunny International Leasing Co., Ltd., Taiwan Business Bank International Leasing Co., Ltd., Far Eastern International Leasing Corp., Panhsin International Leasing Co., Ltd., Co-Operative Assets Management Co., Ltd., Taihsin D.A. Finance Co., Ltd., Leasing, and Union Finance & Leasing (Int'l) Corp.
Subsidiaries of automakers	Mostly are companies established by automakers which focus their business on auto finance related services while providing other financing services to customers	11	Hotai Finance Corporation, Yulon Finance Corporation, CMI Credit Ltd., Shinshin Credit Corporation, Mercedes-Benz Financial Services Taiwan Ltd., Fortune Motors Co., Ltd., Hsieh-Shin Motors Co., Ltd., Scania Taiwan, Yulon GM Company Limited, HEJING Co., Ltd., and Volkswagen Financial Services Taiwan Limited
Foreign-owned companies	Most of them are established by foreign companies, equipment manufacturers or their leasing companies for the purpose of developing their business in Taiwan	3	Orix Taiwan Corporation, Konew Capital Limited, and Fuyo General Lease (Taiwan) Co., Ltd.
Independent leasing companies	Provide a wide variety of products and great flexibility	9	Chailease Finance Co., Ltd., Robina Finance & Leasing Corp., Fina Finance & Trading Co., Ltd., Far Trust International Finance Co., Ltd., Cosmos Leasing Co., Ltd., Infinite Finance Co., Ltd., Yiho International Leasing Co., Ltd., Chang Hong Co., Ltd., and Chailease Consumer Finance Co., Ltd.

Sources: The Taipei Leasing Association and internal data compiled by the corporate group. Last updated on February 21, 2023.

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### 3. Technology and R&D

Since its establishment in 1999, the Company has engaged in vehicle installment and equipment installment services, and has continuously introduced products that meet market needs, ranging from new car and used car installments and car financing to motorcycle installments, commodity installments, accounts receivable purchase, equipment installments, and raw material installments. We uphold the spirit of “customer first and professionalism” to satisfy customers' needs and to solidify the Company's profitability and growth. Through years of accumulated professional experience, we have continued to improve in risk control, sales, and operational processes to grow steadily in a highly competitive market.

### 4. Short-term and Long-term Development Plans

#### (1) Short-term Business Development Plans

- A. Strengthen core business: refine vehicle installment products and enhance operations of sales channels, thereby solidifying and increasing business growth.
- B. Diversify product portfolio: develop installment service of commodities and equipment suppliers to create installment partnership opportunities; expand the installment businesses of motorcycle and commodities to accelerate growth.
- C. Integrate resources from invested entities: provide support to subsidiary, in the development of information technology and talent recruiting in order to increase operational efficiency and expand business development.

#### (2) Mid to long-term development plans

HFC will continue investing manpower in the research of new products, new operating models, new distribution channels, and the evaluation of potential new locations overseas in order to lay out foundation for the long-term development of the Company.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### (1) Sales Region

Unit: NT\$ thousands

Year	2021		2022	
	Amount	%	Amount	%
Taiwan	14,661,280	81.64	19,132,408	83.96
China	3,296,668	18.36	3,654,842	16.04
Total	17,957,948	100.00	22,787,250	100.00

#### (2) Market Share

The vehicle finance products undertaken by HFC in 2022 has reached approximately NT\$104.5 billion, up by 9% from the previous year. HFC remains the market leader among companies in the vehicle installment sector. The 2022 total volume of small vehicle installment sales in Taiwan is 177,632 cases, of which 48,760 are undertaken by the Hotai Group, accounting for

## V. Operational Highlights

approximately 27.5% of the market share, which suggests our significant market presence.

Unit: cars, cases, %

Vehicle Installment Market Share					
Year	2018	2019	2020	2021	2022
Registered Vehicles	435,131	439,834	457,435	449,859	429,731
Vehicles with Financing	182,733	179,462	191,797	186,975	177,632
Vehicles with Financing to Registered Vehicles	42.0%	40.8%	41.9%	41.6%	41.3%
Undertaken by HFC	46,535	46,091	52,203	57,991	48,760
HFC Market Share	25.5%	25.7%	27.2%	31.0%	27.5%

Sources: Ministry of Transportation and Communications and internal data compiled by the Hotai Group; last updated on February 2, 2023

### (3) Future Supply and Demand and Market Growth

#### A. Overview of the Domestic Vehicle Market

Regarding the outlook for 2023, vehicle manufacturers have gradually found ways to cope with the unstable supply of new vehicles due to the pandemic, war, and chip shortage. New vehicle production capacity is expected to increase, and with the delayed delivery of orders from last year, the sales volume is expected to pick up this year compared to last year. The Company will launch new products such as new electric vehicles for the product lines of its own brands, and will continue to design more diverse installment solutions to meet consumer demand and strengthen its competitiveness in the market in order to drive sales growth. In terms of the heavy vehicle market, with the recovery of economic activities after the pandemic and the rapid development of demand in the home economy, coupled with the subsidy policy for replacing old vehicles with new ones, the heavy vehicle market is expected to perform well. HEJING Co., Ltd. will focus on the commercial vehicle channel to increase the market share of its own brand (HINO), while for the trading business of the new and used vehicles of other companies' brands, we will continue to plan for diversified products and a customized sales model to facilitate cooperation with existing channels and expand new channels, aiming to be the No. 1 in the heavy vehicle installment market.

#### B. Supply and Demand of Equipment Installment

According to the Taipei Leasing Association, the equipment leasing/installment market as a whole has been growing in recent years, indicating that the acceptance of leasing companies by small and medium-sized enterprises has increased. The Group will continue to focus on the four major industries (medical, machine tools, construction equipment, and large commercial vehicles) and continue to develop product channels and actively pursue quality customers, while maintaining its existing customers and expanding the scale of its undertaking business.

#### C. Overview of the Equipment Leasing Market in Mainland China

After the 20th National Congress of the Communist Party of China in 2022, China has continued to focus on the policy of "Stable Growth", with many references to actively promoting infrastructure construction in its planning, focusing on the development of the real economy, optimizing the business environment, enhancing the coordination of fiscal and monetary policies, and making efforts to expand domestic consumption and accelerate green transformation, which will help national enterprises to demand solar energy, power saving, and power storage equipment, and bring leasing opportunities at the same time. The overall penetration rate of financial leasing in China is nearly 10%, compared with

## V. Operational Highlights

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advanced countries such as Europe and the United States (>20%), the financial leasing industry has great room for development. With the continuous improvement of the operating environment of the financial leasing industry, the rigorous regulatory functions not only help prevent financial risks, but also brings good room and opportunities for the development of the financial leasing industry.

### D. Overview of the Commercial Factoring Market in Mainland China

In recent years, Mainland China is vigorously pushing forward supply-side structural reform and making efforts to revitalize the real economy, and the number of accounts receivable from enterprises continue to grow, resulting in an increasing demand for factoring business. At the same time, regulatory authorities also continue to introduce policies and regulations related to the development of factoring business. The factoring industry is still in a growth phase, and the market size is expected to continue to grow.

Currently, listed well-known processing or manufacturing enterprises are the priority customers. At present, the pandemic is now under control in China, and with the frequent policies to stimulate the economy in Mainland China, the demand for financing is expected to grow, and the factoring business is expected to have significant growth opportunities.

### E. Overview of the Green Energy Industry

In response to net zero carbon emissions, policies have been introduced in favor of the industry. In addition to relaxing legal restrictions to stimulate land reuse, it has also strengthened the R&D capabilities of new energy technologies, enhanced the construction of energy storage facilities and upgraded grid technologies, and supplemented with related supporting measures, such as improving industrial processes, increasing the efficiency of photovoltaic modules, upgrading equipment, and optimizing energy conservation, which have led to the blossoming of the green energy market. Looking ahead, HEJUN Energy Co., Ltd. will continue to expand the scale of its holdings through self-construction and mergers and acquisitions; it will also join the electricity trading platform and enter into the electricity sales business to increase revenue from electricity sales; it will accelerate to build charging stations and integrate the Group's resources to converge the trend of net-zero carbon emissions and business opportunities to create a full range of green energy services.

### F. Overview of the Car Rental Market

With the pandemic slowing down and normalizing, the trend of domestic tours continues to revive, and the number of tourist arrivals at major tourist attractions in Taiwan is expected to be higher than last year. At the same time, the shared mobility market continues to expand, with the number of members and users of shared automobile and motorcycle services both increasing again over the same period, the self-drive car rental market is expected to grow steadily. With the relaxation of the pandemic prevention policies and the gradual returning of tourists to Taiwan, the chartered transportation market is expected to grow. Looking ahead, Ho Ing Mobility Service will further utilize data analysis and consumer feedback to solve and optimize user pain points in order to build a smart mobile ecosystem that meets consumer needs with convenience.

## (4) Competitive Advantages

### A. Exhaustive Channel Understanding

The Group's agent Toyota/Lexus has over 30% of the domestic market share, and with the consolidation of new car channels of other companies' brands, we continue to maintain a stable new car installment business, while actively developing major car dealers and channel alliances in Taiwan and expanding the e-commerce system to keep up with the pace of fast growth through the development of used car installment business and car financing business.

### B. Well-built Financial Structure

## V. Operational Highlights

We have been rated “Long-term twAA-” and “Short-term twA-1+” by Taiwan Ratings for 16 consecutive years from 2007 to 2022, and our long-term credit rating is expected to be “stable”. We have also been rated “Long-term BBB” and “Short-term BBB” by the international rating agency, Standard & Poor’s, for three consecutive years from 2020 to 2022, outperforming many domestic financial institutions and industry peers.

### C. Diverse and Complete Product Line

In addition to the installment business for new cars, used cars, and motorcycles, we are also actively exploring the installment business for consumer goods and the installment business for small and medium-sized enterprises to provide more diversified services by extending the product range from individuals to corporations.

### D. Excellent Credit Quality:

The Group has a high standard of internal risk control, a well-developed review mechanism, uses big data analysis to screen customers, and has maintained a stable overdue percentage for a long time.

### E. Use of Technology to Develop Business:

The Group has developed a vehicle installment APP case submission system, which allows internal and external sales staff to use the mobile APP to quickly perform case consolidation and back-end credit checks, which not only eliminates the need for paper-based operations for environmental protection, but also speeds up business efficiency.

## (5) Favorable and Unfavorable Factors of Development Prospect and Countermeasures

### A. Favorable factors

Aspect	Description
Market	<ul style="list-style-type: none"> <li>· The world has gradually recovered from the impact of the pandemic, while the new vehicle supply will become more stable than before</li> <li>· The used cars of the Group’s brands have stable prices, which is conducive to the establishment of related installment programs</li> <li>· Solid footprint in the automotive, equipment leasing, and commercial factoring markets in Mainland China with continuing growth</li> </ul>
Channels	<p>The Company has been working closely with the following channels to stabilize and expand case sources:</p> <ul style="list-style-type: none"> <li>· The Group’s brands (TOYOTA, LEXUS, HINO)</li> <li>· The brands of other industry players (Volvo, Suzuki, Tesla, etc.)</li> <li>· Used cars (HOT used car, Hotai Auto Auction, LEXUS CPO)</li> <li>· Motorcycles (Kymco, SYM, YAMAHA, Gogoro, etc.)</li> <li>· Merchandise (online channels)</li> <li>· Equipment suppliers</li> </ul>
Services	<p>We create more value for our customers and partners by providing the following quality services:</p> <ul style="list-style-type: none"> <li>· One-on-one personal services for key channels and car dealers</li> <li>· Professional planning team to develop flexible and diversified installment programs</li> <li>· Fast case review capability</li> <li>· Superior car dealer cooperation system</li> <li>· Continuous optimization of a case submission APP and operating systems to provide efficient and quality services</li> </ul>
Resources	<ul style="list-style-type: none"> <li>· Large retained customers</li> <li>· Industry knowledge accumulated over the years</li> <li>· Related resources of the Hotai Group</li> </ul>

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### B. Unfavorable factors

Unfavorable Factors	Countermeasures
Industry peers/banks continue to influence vehicle instalment and equipment instalment business with low prices	<ul style="list-style-type: none"> <li>·Continue to increase competitiveness with product diversification and innovation</li> <li>·Stabilize existing channels and strengthen understanding</li> <li>·Enhance business management, develop group brand and non-group brand channels, and increase installment and leasing latitude</li> <li>·Strengthen the Group's used car channels and increase our control capabilities</li> </ul>
The rise of the sharing economy may affect young buyers' willingness to purchase cars	<ul style="list-style-type: none"> <li>·Customize installment programs for different customer segments to strengthen installment business and increase car purchase intention</li> </ul>
Inflation causes global interest rate hikes	<ul style="list-style-type: none"> <li>·The Company has conducted a comprehensive review of interest rates for each product and has increased the interest rates for each product to address the rising cost of capital due to the increase in interest rates</li> <li>·The Company will continue to closely monitor relevant laws and policies that may affect the Company's business and operations and take appropriate countermeasures in the future</li> </ul>
The Company's business is concentrated in the areas of car instalment and leasing in Taiwan	<ul style="list-style-type: none"> <li>·Enhance business efficiency and effectiveness</li> <li>·Develop high value-added equipment leasing business such as medical equipment, machine tools, and construction equipment</li> <li>·Explore the commercial factoring and equipment leasing market in China</li> </ul>

### 5.2.2 Main Uses and Production Process of Core Product

The core product of HFC is vehicle installment sales, providing the public with installment payment programs for new and used vehicle purchase. While this product offers consumers flexible payment methods, it also markets the new vehicle sales model for the Hotai Group. Depending on the needs of corporate clients, HFC offers installment payment programs for the purchase of all types of equipment, goods in process, and raw materials. Under the arrangement, HFC makes a one-time payment to the suppliers on behalf of the clients, then proceeds to design a repayment plan according to the financial capability of the client. As for the leasing business, HFC and its subsidiaries mainly provide corporate finance services in the form of leases for companies that need equipment, goods in process, or raw materials. An example is that HFC and its subsidiaries would purchase equipment from suppliers, and the clients will only need to pay a monthly rent to use the equipment without having to make a lump-sum payment. In any event, HFC is in the financial service industry, and therefore does not have any production process.

### 5.2.3 Supply of Raw Materials

The core business of HFC is vehicle installment sales and our clientele comes from Hotai Motor Co., Ltd. (for Toyota and Lexus vehicles), regional dealers of other vehicle brands, and CPO and used vehicle dealers around Taiwan; HFC's secondary business is equipment installment sales and

## V. Operational Highlights

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leasing. Therefore, our products do not require any raw materials.

### 5.2.4 Suppliers (Customers) Accounted for 10% or More of the Total Purchase (Sales) in any of the Last Two Fiscal Years, as well as the Amounts and Percentages of Purchase (Sales), and Reasons for the Changes

#### (1) List of Suppliers

The main business activities of HFC and its subsidiaries are installment sales and leasing. Since installment sales mainly rely on interest income, there is no gross profit of goods sold. For that reason, sales income and cost of sales are represented in net values. Furthermore, the cost of sales for the leasing business is attributable to termination of leased assets due to sale. Therefore, the requirement to disclose such information is not applicable.

#### (2) List of Customers

HFC and its subsidiaries have a large customer base, and there is no single customer that accounts for 10% or more of the total sales revenue. Therefore, the requirement to disclose such information is not applicable.

### 5.2.5 Production Volume and Amount for the Last Two Fiscal Years

HFC and its subsidiaries are not in the business of manufacturing, and therefore the requirement to disclose such information is not applicable.

### 5.2.6 Sales Volume and Amount for the Last Two Fiscal Years

HFC and its subsidiaries are not in the business of manufacturing, and therefore the requirement to disclose such information is not applicable.



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### 5.3 Employee Statistics in the Last Fiscal Year and as of the Date of This Annual Report

Year		2021	2022	As of March 31, 2023
Number of Employees	Sales Personnel	1,331	1,597	1,628
	Clerk	954	1,145	1,227
	Total	2,285	2,742	2,855
Average Age		36.0	36.1	36.1
Average Length of Service		4.5	4.07	4.17
Highest Level of Education (%)	Ph.D.	0.1%	0.0%	0.0%
	Master's Degree	6.2%	7.1%	6.8%
	Bachelor's Degree	73.2%	74.3%	73.6%
	Senior High School Diploma	18.3%	17.3%	18.2%
	Below Senior High School	2.1%	1.2%	1.4%
Total		100.0%	100.0%	100.0%

### 5.4 Environmental Expenses

Describe the sum of losses due to environmental violations, including fines and violations found during environmental audit that occurred in the last fiscal year and as of the date of this annual report (please specify the date on which the penalty decision is made, case number, regulations violated, details of the violation, and penalties imposed), as well as an estimate of current and potential losses and countermeasures. If the amount cannot be reasonably estimated, the reasons for which should be included: N/A

### 5.5 Labor Relations

5.5.1 From their start date, all of HFC's employees enjoy the full benefits of labor insurance, national health insurance, and pension funds that are beyond the minimum requirement under the *Labor Standards Act*. The following are some examples of employee compensation and benefits, education and training, retirement system and their implementations, as well as labor-management agreement and measures we take to ensure employee welfare.

#### (1) Remuneration

- Competitive salary
- Year-end bonus that is above market average
- Sales bonus
- Merit increase
- Incentive bonus (incentive bonus policy is adopted by job functions)

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### (2) Benefits

HFC established the Employee Welfare Committee of Hotai Finance Corporation in 2008, which is charged with the responsibility to improve employee welfare:

- Group insurance and accident insurance
- Holiday bonus and gifts (Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival)
- Cash gifts for birthdays
- scholarships
- Employee discount at partnered stores
- Grants for language classes
- Rewards based on scores of foreign language proficiency test
- Employee discount for car purchases
- Regular health checkups and medical allowance Wedding gifts and newborn gifts; consolation payment and support for deaths and hospitalizations of employee or their family members
- Leave travel allowance and leisure travel contest
- A variety of club activities
- Year-end banquet and spring kickoff party

### (3) Education and Training

A corporation is not an enclosed environment. To thrive in a highly competitive market, it is imperative for businesses to train employees using various learning methods. HFC has adopted a set of education and training guidelines that is aimed to provide the employees with a complete education system using incentives, participation, application and competency training to increase their work efficiency, competitiveness and sense of accomplishment, thereby enhancing the competitive advantages of the Company and maintaining the leading position in the market. At HFC, we see employees as our greatest asset. The education unit has developed HFC's Training Roadmap, OJT model and Online Compulsory Training as three major cores:

HFC Training Roadmap: Propose a roadmap plan for each level, covering all employees and management in the Company.

Face-to-face courses are expanded at different levels, such as the Leadership Consensus Camp, Management Class, Star Class, Strength Class, Newcomer Consensus Camp, Business Consensus Camp, and other training and development courses. Each department uses OJT to pass on the key points of each department's work in terms of attitude, work, and skills, which is the best way for each department to learn internally and enhance the work professionalism of employees.

Mandatory Online Education and Training: We provide diversified and rich online courses. This year, in addition to the relevant statutory courses, we have planned the MBA Academy, Management Academy, Marketing Academy, and Business Academy to make the online courses more diversified and complete

## V. Operational Highlights

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With the business philosophy of “customer first and profession oriented”, the Company has been making every effort to cultivate talents. In line with the Company's vision to provide diversified learning channels and training resources, we focus on the sustainable and all-around learning and development of employees to achieve the goal of developing and retaining talents, and organizational co-prosperity. We expect our employees to enjoy their work and grow together with the Company. The following are taken for this purpose:

### A. Complete Functional Structure

The Company places great emphasis on the competency development of each employee and plans training programs based on professional, core, and management competencies.

- ◆ Professional Competencies:

We enable employees with the professional competencies according to the needs of different job functions and provide internal and external non-virtual training courses according to the professional field, such as: sales staff, telemarketers, customer service staff, and credit investigators, etc.

- ◆ Core Competencies:

We arrange general online education courses to develop employees with soft skills other than professional skills, e.g., general education courses, “i-Reading.” Enable employees to strengthen their core competencies in the workplace and to demonstrate good performance and interpersonal relationships.

- ◆ Management Competencies:

We have designed a series of courses for leadership, coordination, staff training, organizational planning, project management, and other management competencies. For example, the “Management Class” is for mid-level management staff to enhance their leadership competency. The Company attaches great importance to learning new knowledge, providing books and magazines every month and holding regular study sessions to achieve mutual learning and knowledge sharing through cross-departmental discussions. The Leadership Consensus Camp is held annually. In addition to professional book sharing and seminars, we also provide soft and diversified courses, such as Team Building, to forge consensus among management.

### B. Diverse Online Elective Courses

Our online learning platform provides all employees with mandatory courses every quarter, and also provides diversified and rich elective courses for employees to take according to their own learning needs, so that they can take courses as they wish to improve their work skills. In order to make learning more convenient for all employees, we have also launched an online learning APP, which allows them to learn without the limitation of time and space, and greatly enhances learning efficiency.

### C. Superior Rotation System

In order to achieve the purpose of improving the quality and developing the all-around ability of employees, the Company has a comprehensive career rotation development system. Through the rotation mechanism, employees can have a deeper understanding of the Company's operations and develop a variety of skills, with the goal of becoming a “generalist” as a career goal to further enhance their competitiveness.

### D. Regular Internal Publications and Employee Communication Platform

We regularly provide employees information through a diverse platform: The “HFC E-

## V. Operational Highlights

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News Academy” monthly e-newsletter and the FB Group “HFC: The Dream Practitioner” FB group are regularly provided as information platforms for employees to obtain new information on the industry, market trends, latest corporate activities, knowledge sharing, club world, and employee club activities.

### E. Superior Foreign Language Learning Opportunities

We encourage every employee to learn English and Japanese to enhance their foreign language skills. We have a comprehensive foreign language learning subsidy program that provides multiple learning channels and subsidies for further studies to nurture employees to become international talents in response to the development of the global village and the trend of internationalization.

## (4) Retirement System and Implementation

HFC has adopted a *Defined Contribution Plan/Retirement Policy* pursuant to the *Labor Pension Act*. For employees that are Taiwanese citizens who came onboard before July 1, 2005 and have opted for the new pension system, it is permitted under the law to cash out seniority under the old pension system. Employees who came onboard on or after July 1, 2005 are subject to the new pension system. By law, expat employees are subject to either the new or old system.

### A. Pension under the new system

Every month, HFC contributes 6% of the total salary to employees’ individual pension accounts under the Bureau of Labor Insurance. Pension is paid either monthly or in a lump sum from the balance of individual pension account and accumulated income generated.

### B. Pension under the old system

Every month, HFC allocates 2% of the total salary to the Labor Pension Reserve Fund Supervisory Board (the “Supervisory Board”), which will then be deposited to a special account at Bank of Taiwan under the name of the Supervisory Board.

## (5) Labor-management agreement and protection of employee welfare

Here at HFC, we strive to foster harmonious labor relations and adopt a transparent and fair approach to protect the rights and benefits of employees. We have been proactively building a two-way open communication channel since the company started, and we have not encountered any major labor disputes or losses to date.

5.5.2 Losses incurred due to labor disputes, including any violations found during an employment and labor audit in the last fiscal year and as of the date of this annual report (please specify the date on which the penalty decision is made, case number, regulations violated, details of the violation, and penalties imposed), as well as an estimate of current and potential losses and countermeasures. If the amount cannot be reasonably estimated, the reasons for which should be included: N/A  
Losses incurred due to labor disputes, including any violations found during an employment and labor audit in the last fiscal year and as of the date of this annual report (please specify the date on which the penalty decision is made, case number, regulations violated, details of the violation, and penalties imposed), as well as an estimate of current and potential losses and countermeasures. If the amount cannot be reasonably estimated, the reasons for which should be included: N/A

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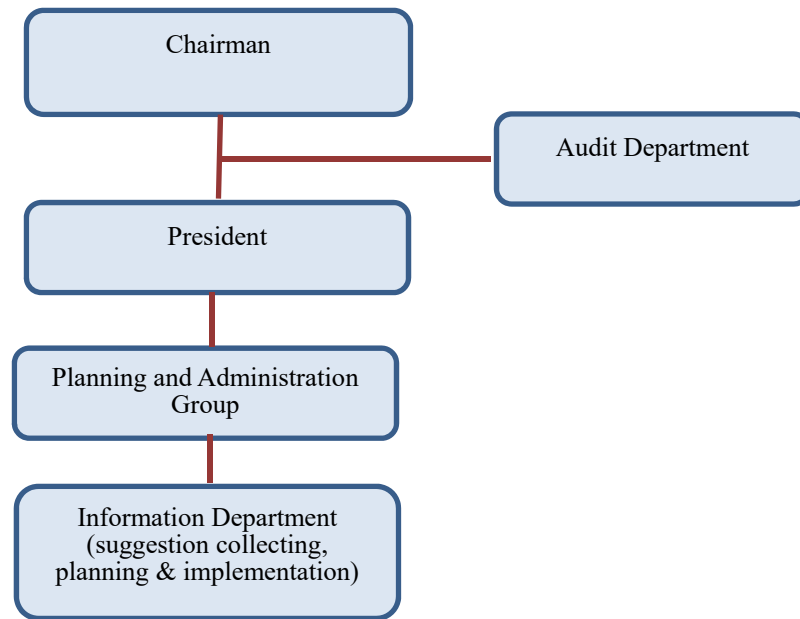
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### 5.6 Cyber Security Management

#### 5.6.1 The Cybersecurity Management Framework, Cybersecurity Policies, Tangible Management Programs, and the Resources Invested in Cybersecurity Management:

##### (1) The cybersecurity management framework and cybersecurity policies

The cybersecurity management framework:



Cybersecurity policies:

To secure the information's confidentiality (that only the authorized personnel can have access), integrity (that is to ensure the information and the method of handling the information is accurate and complete) and availability (that is to make sure the authorized personnel can access information and use relevant information assets when needed), to protect the Company's information assets from misuse, leakage, alteration, destruction, etc., and to ensure the safety of information collection, handling, transmission, storage, and circulation, the Company has established the *Internal Control of Computer Based Information System*, which implementation and amendments require the approval of the President and applies to all employees in the headquarters and branch offices.

In December 2022, the Company received ISO27001 certification after implementing the "Information Security Management System (ISMS)," which was audited and verified by SGS. Through the introduction of the ISMS system, we enforce the routine information security work and maintain a secure and reliable information environment by regularly checking the information security risks to ensure the stability and security of data, systems, equipment, and networks for the purpose of sustainable business operations.

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### (2) Tangible management programs and the resources invested in cybersecurity management

#### ① Enhancement of the awareness of information security

The Company holds regular courses and conduct tests from time to time, aiming to enhance our employees' awareness of information security. In the regular courses, our employees need to complete the annual course of information security, including the legal liabilities of using pirated software and using software legally, basic concepts of information security, common information security leakages, the Company's measures of information security protection, an introduction to common computer viruses, etc. In 2022, there 1,075 employees completed the training of information security.

#### ② Periodic review of the vulnerability of information security

For the purpose of information security enhancement, HFC engages a trusted third-party of information system consultant company to scan the information system for vulnerability, to inspect the safety of network system and host computer, and to evaluate potential vulnerabilities and the level of information security risk. Our Information Department then mitigate such vulnerabilities stated in the initial scan report, and then conduct such scan again to ensure major vulnerabilities have been repaired.

#### ③ Internal information security audit

HFC conducts monthly and annual internal audits in order to make sure the operations of information security work properly, which are initiated by the Information Department and conducted with the collaboration of the whole company. The monthly routine audit plan scheduled by the Information Department carries out the audits of the system's major mechanism and new functions; the former is to check if the major mechanism works properly, and the latter is to check if the new functions meeting the needs and requirements. In the annual information security audit, different audit themes are assigned according to that year's status of information security; in which each employee conducts a self-checkup according to the "Information Security Checkup of Personal Computers" before the IT specialists conduct random checkup on 10% to 20% of personal computers in each location. The auditors then compute a rate of deficiency of each department as well as prepare an audit report of the year's information security with improvement measures included.

#### ④ The enhancement of information security by third parties

HFC annually reviews the procedures relevant to the IT unit that are stipulated in the Company's standard operating procedures to ensure such procedures are consistent with the ISO standards and meeting our current situation. In 2022, we have engaged a professional accountant to conduct an audit on understanding the organization structure and responsibilities of the IT unit through the interview with the head of the Information Department. In 2022, the external audit found no obvious impact.

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### ⑤ Practical Measurements Relevant to Information Security:

Internal/ External	Item	Frequency	Details
Internal	Internal control self-assessment and audit	Annual	Self-assessment by each operation unit to see whether internal control is fully implemented
Internal	Internal audit	Annual	Auditing Department will conduct the audit on each operation unit
Internal	Information security audit	Annual	Initiated by the IT unit, which requires the collaboration of all the business units of the Company
Internal	Information security training	Annual	To raise information security awareness through online courses
Internal	Phishing test	From time to time	To train employees to be aware of emails from unknown senders
External	Website vulnerability scan	Annual	The IT unit engages a third-party professional information company to conduct website vulnerability scan
External	Source code vulnerability analysis of APP	Annual	The IT unit engages a third-party professional information company to conduct source code vulnerability analysis of APP
External	ISO27001 Audit	Annual	Annual audit of the Company's information security policy and implementation effectiveness are conducted by a third-party certification company.
External	Internal control audit	Annual	External professional audit

5.6.2 The losses, possible impacts, and countermeasures taken on the major cyber security incidents occurred in the last fiscal year and as of the date of this annual report: N/A

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### 5.7 Material Agreements

Type of Agreement	Counterparty	Term	Summary	Restrictive Clauses
Trust Indenture	CTCB Bank	From April 22, 2020 to April 22, 2025	HFC engages CTCB Bank to be the trustee for the 2020 1 <sup>st</sup> unsecured corporate bond.	None
Trust Indenture	Bank SinoPac	From April 15, 2021 to April 15, 2026	HFC engages Bank SinoPac to be the trustee for the 2021 1 <sup>st</sup> unsecured corporate bond.	None
Trust Indenture	Taishin International Bank	From July 22, 2021 to July 22, 2026	HFC engages Taishin International Bank to be the trustee for the 2021 2 <sup>nd</sup> unsecured corporate bond.	None
Trust Indenture	Bank SinoPac	From January 13, 2022 to January 13, 2025	HFC engages Bank SinoPac to be the trustee for the 2022 1 <sup>st</sup> secured corporate bond. (Guarantor: Sumitomo Mitsui Banking Corporation)	None
Trust Indenture	Bank SinoPac	From June 6, 2022 to June 6, 2025	HFC engages Bank SinoPac to be the trustee for the 2022 2 <sup>nd</sup> secured corporate bond. (Guarantor: Hua Nan Bank, Bank of Taiwan)	None
Trust Indenture	Bank SinoPac	From March 28, 2023 to March 28, 2028	HFC engages Bank SinoPac to be the trustee for the 2023 1 <sup>st</sup> unsecured corporate bond.	None
Lease	Hotai Motor Co., Ltd.	From January 1, 2021 to December 31, 2023	Office lease on the 4F., No. 10, Mingzhong St., Xinzhuang Dist., New Taipei City	None
Lease	Ho-Yu Investment Co., Ltd.	From June 20, 2018 to June 19, 2028	Office lease on the 3F., No. 433, Songjiang Rd., Zhongshan Dist., Taipei City	None
Outsourcing Agreement	Financial Institution A	Two years from August 3, 2022 (Note 3)	In order to develop the business, the car loans, Financial Institution A enters into an arrangement with HFC by outsourcing auto finance marketing, loan management, consultation, documentation custodian service, etc. pursuant to the <i>Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation</i> (hereinafter “ <i>Regulations for the Outsourcing of Financial Institution Operation</i> ”).	Note 1
Outsourcing Agreement	Financial Institution B	From August 31, 2012 to December 31, 2013 (Note 3)	In order to develop the business, the car loans, Financial Institution C enters into an arrangement with HFC by outsourcing auto finance marketing, loan management, consultation, documentation custodian service, etc. pursuant to the <i>Regulations for the Outsourcing of Financial Institution Operations</i> .	Note 2

Note 1: According to Article 13, Paragraph 1 on page 4 of the Outsourcing Agreement, “For loan applications that are processed through HFC and approved by Financial Institution A, if any defect is found in the approved application or documents relating to the claims or if any of the following event occurs, Financial Institution A may transfer its loan claims to HFC, and HFC will assume the risks associated with the loan and pay a purchase price for the claims transferred: 1) the borrower fails to repay the loan according to the loan agreement and the payment is overdue for 60 days or more; 2) the borrower has a faulty credit rating, commits a fraudulent act, files for bankruptcy, or any other circumstances that render it impossible to collect the debt; 3) any litigations or other legal proceedings, disputes or conflicts arising out of the loan claims that cannot be resolved; 4) if the loan documents in custody are defective or not maintained according to the Outsourcing Agreement. Once Financial Institution A approves a loan pursuant to Article 15 on page 6 of the Outsourcing Agreement, HFC should complete the process of creating



## VI. Finance Overview

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a lien on the vehicle within 30 days from the day after the loan approval date. If HFC fails to complete the above process within the prescribed period, Financial Institution A may transfer the claims under such loan to HFC, and HFC will assume the risks associated with the loan and pay a purchase price for the claims transferred.

Note 2: According to item No. 2 of the operating procedures under the Outsourcing Agreement, Financial Institution B may request HFC to purchase the loan claims if 1) the borrower fails to repay the loan and it has become overdue for 29 days or more; 2) any of the following circumstances of the borrower that render it impossible for Financial Institution B to collect all or part of the debt: bankruptcy, rehabilitation, creation of more than one lien on the same collateral, or faulty credit rating; 3) the process of creating a lien on the personal property cannot be completed within one month after Financial Institution B approves the loan (including an event where the personal property does not meet the conditions for creating a lien), unless it is otherwise agreed to be extended for a period no longer than six months; 4) the collateral is unredeemed or lost; 5) any litigations or other legal proceedings, or disputes or conflicts occurred and cannot be resolved within a reasonable time; 6) the loan documents (i.e., personal property lien application, collateral loan agreement, loan receipt) are defective or are not maintained according to the Outsourcing Agreement.

Note 3: The agreement HFC signed with the financial institution states that the term of the agreement will be renewed on the expiration date if no material amendments are required.

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### 6.1 Five Year Financial Summary

#### 6.1.1 Condensed Balance Sheet and Statement of Comprehensive Income

##### (1) Condensed Balance Sheet

### IFRS (Consolidated)

Unit: NT\$ thousands

Year		Five Year Financial Summary (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		118,680,518	128,747,105	149,837,686	188,826,138	236,804,466
Property, Plant and Equipment		1,752,642	4,212,013	4,658,912	5,976,675	6,886,804
Intangible Assets		—	—	—	—	—
Other Assets		1,830,643	3,421,797	4,501,955	6,756,383	11,673,818
Total Assets		122,263,803	136,380,915	158,998,553	201,559,196	255,365,088
Current Liabilities	Before Distribution	109,964,986	113,233,585	134,771,199	175,220,568	221,376,661
	After Distribution	111,201,201	114,830,087	136,573,700	177,383,570	223,237,847 Note 2
Non-Current Liabilities		441,569	753,064	564,504	844,949	1,095,413
Total Liabilities	Before Distribution	110,406,555	113,986,649	135,335,703	176,065,517	222,472,074
	After Distribution	111,642,770	115,583,151	137,138,204	178,228,519	224,333,260 Note 2
Equity Attributable to Owners of the Parent		10,305,301	20,470,639	21,494,379	22,755,264	29,481,299
Share Capital		3,746,104	5,150,004	5,150,004	5,150,004	5,650,004
Capital Surplus		243,592	8,002,731	7,996,585	8,000,217	12,510,367
Retained Earnings	Before Distribution	6,434,853	7,434,223	8,423,272	9,762,214	11,222,599
	After Distribution	5,198,638	5,837,721	6,620,771	7,599,212	9,361,413 Note 2
Other Equity Interest		(119,248)	(116,319)	(75,482)	(157,171)	98,329
Treasury Stock		—	—	—	—	—
Prior interests under joint control		—	300,003	—	—	—
Non-Controlling Interest		1,551,947	1,623,624	2,168,471	2,738,415	3,411,715
Total Equity	Before Distribution	11,857,248	22,394,266	23,662,850	25,493,679	32,893,014
	After Distribution	10,621,033	20,797,764	21,860,349	23,330,677	31,031,828 Note 2

Note 1: The financial data from 2018 to 2022 have been audited and certified by external auditors.

Note 2: The annual general meeting of shareholders has not yet been held to approve the distribution of the 2022 earnings.

## VI. Finance Overview

### IFRS (Individual)

Unit: NT\$ thousands

Year		Five Year Financial Summary (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current Assets		100,242,190	110,714,026	132,079,767	165,564,660	198,357,583
Property, Plant and Equipment		611,795	604,518	581,480	1,230,257	1,198,335
Intangible Assets		—	—	—	—	—
Other Assets		2,189,055	3,554,628	4,871,769	8,068,299	12,808,086
Total Assets		103,043,040	114,873,172	137,533,016	174,863,216	212,364,004
Current Liabilities	Before Distribution	92,649,161	94,067,671	115,799,966	151,807,531	182,475,121
	After Distribution	93,885,376	95,664,173	117,602,467	153,970,533	184,336,307 <i>Note 2</i>
Non-Current Liabilities		88,578	182,400	238,671	300,421	407,584
Total Liabilities	Before Distribution	92,737,739	94,250,071	116,038,637	152,107,952	182,882,705
	After Distribution	93,973,954	95,846,573	117,841,138	154,270,954	184,743,891 <i>Note 2</i>
Share Capital		3,746,104	5,150,004	5,150,004	5,150,004	5,650,004
Capital Surplus		243,592	8,002,731	7,996,585	8,000,217	12,510,367
Retained Earnings	Before Distribution	6,434,853	7,434,223	8,423,272	9,762,214	11,222,599
	After Distribution	5,198,638	5,837,721	6,620,771	7,599,212	9,361,413 <i>Note 2</i>
Other Equity Interest		(119,248)	(116,319)	(75,482)	(157,171)	98,329
Treasury Stock		—	—	—	—	—
Predecessor Interests under Common Controls		—	152,462	—	—	—
Total Equity	Before Distribution	10,305,301	20,623,101	21,494,379	22,755,264	29,481,299
	After Distribution	9,069,086	19,026,599	19,691,878	20,592,262	27,620,113 <i>Note 2</i>

Note 1: The financial data from 2018 to 2022 have been audited and certified by external auditors.

Note 2: The annual general shareholders' meeting has not yet been held to approve the distribution of the 2022 earnings.

## VI. Finance Overview

### (2) Condensed Statement of Comprehensive Income

#### IFRS (Consolidated)

Unit: NT\$ thousands; earnings per share in NT\$

Year Item	Five Year Financial Summary (Note)				
	2018	2019	2020	2021	2022
Operating Revenue	11,083,472	13,721,765	14,665,572	17,957,948	22,787,250
Gross Profit	7,180,562	8,656,609	9,433,517	11,929,715	14,612,935
Operating Profit	2,529,952	3,007,995	3,205,417	4,322,048	4,750,404
Non-Operating Income and Expenses	(132,337)	54,475	429,179	341,561	606,114
Profit Before Tax	2,397,615	3,062,470	3,634,596	4,663,609	5,356,518
Income from Continuing Operations	1,838,089	2,376,284	2,792,480	3,530,192	4,069,584
Loss from Discontinued Operations	—	—	—	—	—
Net Income	1,838,089	2,376,284	2,792,480	3,530,192	4,069,584
Other Comprehensive Income (Loss) for the Year, Net of Tax	(71,447)	(65,557)	72,606	(90,494)	281,385
Total Comprehensive Income for the Year	1,766,642	2,310,727	2,865,086	3,439,698	4,350,969
Net Income Attributable to Owners of the Parent	1,761,515	2,235,585	2,585,551	3,141,443	3,623,387
Net Income Attributable to Predecessors' Interests under Common Control	—	536	(12,100)	—	—
Net Income Attributable to Non-Controlling Interests	76,574	140,163	219,029	388,749	446,197
Comprehensive Income Attributable to Owners of the Parent	1,710,648	2,238,514	2,626,388	3,059,754	3,878,887
Comprehensive Income Attributable to Predecessors' Interests under Common Control	—	536	(12,100)	—	—
Comprehensive Income Attributable to Non-Controlling Interests	55,994	71,677	250,798	379,944	472,082
Earnings Per Share	4.70	5.81	5.01	6.10	7.04

Note: The financial data from 2018 to 2022 have been audited and certified by external auditors.

## VI. Finance Overview

### IFRS (Individual)

Unit: NT\$ thousands; earnings per share in NT\$

Year Item	Five Year Financial Summary (Note)				
	2018	2019	2020	2021	2022
Operating Revenue	7,881,336	8,721,699	9,529,561	11,785,227	15,235,369
Gross Profit	5,762,152	6,362,526	7,185,518	9,438,193	11,412,407
Operating Profit	2,124,799	2,635,072	2,995,449	3,544,900	4,143,018
Non-Operating Income and Expenses	126,562	188,244	263,986	421,293	458,482
Profit Before Tax	2,251,361	2,823,316	3,259,435	3,966,193	4,601,500
Income from Continuing Operations	1,761,515	2,235,858	2,579,402	3,141,443	3,623,387
Loss from Discontinued Operations	—	—	—	—	—
Net Income	1,761,515	2,235,858	2,579,402	3,141,443	3,623,387
Other Comprehensive Income (Loss) for the Year, Net of Tax	(50,867)	2,929	40,837	(81,689)	255,500
Total Comprehensive Income for the Year	1,710,648	2,238,787	2,620,239	3,059,754	3,878,887
Earnings Per Share	4.70	5.81	5.01	6.10	7.04

Note: The financial data from 2018 to 2022 have been audited and certified by external auditors.

## VI. Finance Overview

### 6.1.2 Important Items that Could Affect the Consistency of Financial Statements Such as Accounting Changes, Mergers or Cessation of Business Units, and Their Effects on the Financial Statements:

On March 23, 2020, the Group participated in the cash capital increase and gained control of Hoing Mobility Service Co., Ltd., a subsidiary of the parent company, Hozan Investment Co., Ltd. This merger should be regarded as a merger from the beginning because it is an intra-group organizational reorganization. Therefore, the FY2019 individual and consolidated financial statements were retroactively adjusted in the preparation of the FY2020 individual and consolidated comparative financial statements

### 6.1.3 Names of Auditors and Their Audit Opinion in the Most Recent Five-Year Period

#### (1) Names of auditors and their audit opinion in the most recent five-year period

Year	Public Accounting Firm	External Auditors	Audit Opinion
2018	PricewaterhouseCoopers Taiwan	Wang, Fang-Yu; Lin, Se-Kai	Unqualified
2019	PricewaterhouseCoopers Taiwan	Wang, Fang-Yu; Lin, Se-Kai	Unqualified
2020	PricewaterhouseCoopers Taiwan	Wang, Fang-Yu; Lin, Se-Kai	Unqualified with emphasized matters paragraph
2021	PricewaterhouseCoopers Taiwan	Wang, Fang-Yu; Lin, Se-Kai	Unqualified
2022	PricewaterhouseCoopers Taiwan	Wang, Fang-Yu; Hsiao, Chun-Yuan	Unqualified opinion With other matters paragraph

#### (2) Change of auditors in the most recent five-year period

In 2022, due to the reassignment of personnel of the accounting firm, the then external auditors, Wang, Fang-Yu and Lin, Se-Kai, were replaced by Wang, Fang-Yu and Hsiao, Chun-Yuan.

## VI. Finance Overview

### 6.2 Five Year Financial Analysis

#### IFRS (Consolidated)

Year		Five Year Financial Summary (Note 2)				
		2018	2019	2020	2021	2022
Item (Note)						
Financial Structure (%)	Debt Ratio	90.30	83.58	85.12	87.35	87.12
	Ratio of Long-Term Capital to Property, Plant and Equipment	701.73	549.56	520.02	440.69	493.53
Solvency (%)	Current Ratio	107.93	113.70	111.18	107.76	106.97
	Quick Ratio	103.00	108.92	106.49	103.98	103.86
	Interest Earned Ratio	2.61	2.95	3.59	4.13	3.08
Operating Performance	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—	—
	Average Collection Period (Note 1)	—	—	—	—	—
	Inventory Turnover (times) (Note 1)	—	—	—	—	—
	Accounts Payable Turnover (times) (Note 1)	—	—	—	—	—
	Average Days in Sales (Note 1)	—	—	—	—	—
	Property, Plant and Equipment Turnover (times)	5.88	4.60	3.31	3.38	3.54
	Total Assets Turnover (times)	0.10	0.11	0.10	0.10	0.10
Profitability	Return on Total Assets (%)	2.62	2.81	2.65	2.62	2.68
	Return On Equity (%)	16.42	13.88	12.13	14.36	13.94
	Pre-Tax Income to Paid-In Capital (%)	64.00	59.47	70.57	90.56	94.81
	Profit Ratio (%)	16.58	17.32	19.04	19.66	17.86
	Earnings Per Share (NT\$)	4.70	5.81	5.01	6.10	7.04
Cash Flow	Cash Flow Ratio (%)	(9.18)	(6.21)	(12.94)	(19.70)	(19.89)
	Cash Flow Adequacy Ratio (%)	0.00	0.00	0.00	0.00	0.00
	Cash Reinvestment Ratio (%)	(81.42)	(33.82)	(73.22)	(127.07)	(125.46)
Leverage	Operating Leverage	1.58	1.67	1.71	1.58	1.63
	Financial Leverage	1.00	1.00	1.00	1.00	1.00
Analysis of financial ratio differences for the last two years (not required if the difference does not exceed 20%): Decrease in Interest Coverage Ratio by 25%: Mainly due to the increase in interest expenses as a result of the increase in the loan interest rate in 2022.						

Note 1: Due to the characteristics of the industry, accounts receivable turnover, inventory turnover, accounts payable turnover, and financial leverage are not applicable.

Note 2: The financial data from 2018 to 2022 have been audited and certified by external auditors.

## VI. Finance Overview

### IFRS (Individual)

Year		Five Year Financial Summary (Note 2)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt Ratio	90.00	82.05	84.37	86.99	86.12
	Ratio of Long-Term Capital to Property, Plant and Equipment	1,698.92	3,441.67	3,737.54	1,874.05	2,494.20
Solvency (%)	Current Ratio	108.20	117.70	114.06	109.06	108.70
	Quick Ratio	105.04	114.13	110.62	106.62	107.11
	Interest Earned Ratio (times)	4.05	4.33	5.06	6.06	3.79
Operating Performance	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—	—
	Average Collection Period (Note 1)	—	—	—	—	—
	Inventory Turnover (times) (Note 1)	—	—	—	—	—
	Accounts Payable Turnover (times) (Note 1)	—	—	—	—	—
	Average Days in Sales (Note 1)	—	—	—	—	—
	Property, Plant and Equipment Turnover (times)	12.64	14.34	16.07	13.01	12.55
	Total Assets Turnover (times)	0.08	0.08	0.08	0.08	0.08
Profitability	Return on Total Assets (%)	2.41	2.67	2.55	2.41	2.55
	Return On Equity (%)	17.79	14.46	12.25	14.20	13.87
	Pre-Tax Income to Paid-In Capital (%)	60.10	54.82	63.29	77.01	81.44
	Profit Ratio (%)	22.35	25.64	27.07	26.66	23.78
	Earnings Per Share (NT\$)	4.70	5.81	5.01	6.10	7.04
Cash Flow	Cash Flow Ratio (%)	(9.17)	(9.63)	(16.93)	(20.91)	(17.07)
	Cash Flow Adequacy Ratio (%)	0.00	0.00	0.00	0.00	0.00
	Cash Reinvestment Ratio (%)	(86.80)	(48.50)	(95.75)	(142.88)	(110.28)
Leverage	Operating Leverage	1.41	1.39	1.38	1.35	1.32
	Financial Leverage	1.00	1.00	1.00	1.00	1.00
<p>Analysis of financial ratio differences for the last two years (not required if the difference does not exceed 20%):</p> <ol style="list-style-type: none"> <li>Increase in Long-term Capital to Property, Plants, and Equipment Ratio by 33%: Mainly due to the increase in net shareholders' equity as a result of the issuance of NT \$5 billion of preferred shares in 2022.</li> <li>Decrease in Interest Coverage Ratio by 37%: Mainly due to the increase in interest expenses as a result of the increase in the loan interest rate in 2022.</li> <li>Change in Cash Reinvestment Ratio by 23%: Mainly due to the increase in long-term receivables.</li> </ol>						

Note 1: Due to the characteristics of the industry, accounts receivable turnover, inventory turnover, accounts payable turnover, and financial leverage are not applicable.

Note 2: The financial data from 2018 to 2022 have been audited and certified by external auditors.

Note 3: The IFRS formulas for calculating the financial ratios are as follows:



## VI. Finance Overview

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### 1. Financial structure

(1) Debt ratio = total liabilities/total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment

### 2. Solvency

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest earned ratio = net income before tax and interest expenses / interest expenses

### 3. Operating performance

(1) Accounts receivable turnover (including accounts receivable and notes receivable generated from business operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable generated from business operations)

(2) Average collection period = 365 / accounts receivable turnover

(3) Inventory turnover = cost of goods sold / average inventory

(4) Accounts payable turnover (including accounts payable and notes payable generated from business operations) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable generated from business operations)

(5) Average days in sales = 365 / inventory turnover

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment

(7) Total assets turnover = net sales / average total assets

### 4. Profitability

(1) Return on total assets = [profit after tax + interest expenses \*(1 - effective tax rate)] / average total assets

(2) Return on equity = profit after tax / average total equity

(3) Profit ratio = profit after tax / net sales

(4) Earning per share = (equity attributable to shareholders of parent - preferred stock dividend) / weighted average of issued shares

### 5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities

(2) Cash flow adequacy ratio = (net cash flow from operating activities for the last five years / (capital expenditure + increase in inventory + cash dividend) for the last five years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital)

### 6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income

(2) Financial leverage = operating income / (operating income - interest expenses)

## VI. Finance Overview

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### 6.3 Audit Committee Report Regarding the Most Recent Annual Financial Report

#### **Hotai Finance Co., Ltd.**

#### **Audit Committee Report**

To: The 2023 Annual General Shareholders' Meeting of Hotai Finance Co., Ltd. (the "Company")

The Board of Directors has submitted the Company's 2022 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for profit distribution. The accountants Wang, Fang-Yu and Hsiao, Chun-Yuan, both from PricewaterhouseCoopers Taiwan, have audited the 2022 Financial Statements (including the Consolidated Financial Statements) and issued an audit report. The above-mentioned the Company's 2022 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for profit distribution have been considered by this Audit Committee and all Members are of the opinion that they are not inconsistent with the provisions of Article 219 of the *Company Act* and hereby issue this report.

Audit Committee

Independent Director: Huang, Ming-You

Independent Director: Mao, Wei-Lin

March 9, 2023

## VI. Finance Overview

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### 6.4 Consolidated Financial Statements of the Most Recent Year Audited and Certified by Independent Auditors

#### Hotai Finance Company Limited

#### Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

Hotai Finance Company Limited

March 9, 2023

### INDEPENDENT AUDITORS' REPORT (TRANSLATED FROM CHINESE)

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

#### ***Opinion***

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

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

#### ***Basis for opinion***

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

#### ***Key audit matters***

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

## VI. Finance Overview

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The key audit matters for the Group's 2022 consolidated financial statements are as follows:

### ***Evaluation of provision for impairment of accounts receivable***

#### Description

Please refer to Note 4(10) to the consolidated financial statements for accounting policy on provision for impairment of accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions, and Note 6(4) for details of accounts receivable.

The Group's primary business is providing installment sales and leases of vehicles and lease services. In the supply chain of motor vehicles, the role of the Group is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, the Group is responsible for the collections of accounts receivable and manages overdue accounts.

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

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

#### How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report system.
2. For those accounts past due over 30 days, the Group will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and the Group's policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past years, and the forward-looking information, to evaluate the reasonableness of the provision for impairment policy. In addition, we sampled and examined the group category of expected credit losses report, and checked the consistency with system information.
3. Examined and evaluated samples of the categorized group report of the loss of expected credit and compared it with the system information.

### ***Other matter – Reference to the reports of other auditors***

We did not audit the financial statements of certain consolidated subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and the information on the investee disclosed in Note 13 is based solely on the reports of the other auditors. Total assets of these subsidiaries amounted to NT\$285,092 thousand, constituting 0.11% of the consolidated total assets as at December 31, 2022, and the operating revenue amounted to NT\$3,606 thousand, constituting 0.02% of the consolidated total operating revenue for the year then ended.

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion with an other matter section on the parent company only financial statements of Hotai Finance Company Limited as at and for the years ended December 31, 2022 and 2021.

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

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

## VI. Finance Overview

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always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

## VI. Finance Overview

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

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

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Wang, Fang-Yu

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Hsiao, Chun-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 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' 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.



## VI. Finance Overview

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,382,775	1	\$ 1,058,573	1
1110	Financial assets at fair value through profit or loss-current	6(2)	300,000	-	-	-
1139	Hedging financial assets-current	6(3)	504,827	-	-	-
1150	Notes receivable, net	6(4) and 8	9,340,046	4	8,452,119	4
1170	Accounts receivable, net	6(4), 7 and 8	216,928,982	85	172,174,148	86
1200	Other receivables	7	82,568	-	69,294	-
130X	Inventories		5,979	-	2,976	-
1410	Prepayments	6(5) and 7	6,886,170	3	6,629,871	3
1476	Other current financial assets	8	373,119	-	439,157	-
11XX	<b>Current Assets</b>		<u>236,804,466</u>	<u>93</u>	<u>188,826,138</u>	<u>94</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income-non- current		3,519	-	3,357	-
1550	Investments accounted for using equity method	6(6)	115,502	-	103,148	-
1600	Property, plant and equipment, net	6(7)	6,886,804	3	5,976,675	3
1755	Right-of-use assets	6(8)	368,464	-	358,235	-
1760	Investment property, net	6(10)	284,766	-	-	-
1840	Deferred income tax assets	6(30)	826,857	-	698,427	-
1930	Long-term notes and accounts receivable	6(4)	8,463,807	3	4,082,784	2
1990	Other non-current assets, others	8	1,610,903	1	1,510,432	1
15XX	<b>Non-current assets</b>		<u>18,560,622</u>	<u>7</u>	<u>12,733,058</u>	<u>6</u>
1XXX	<b>Total assets</b>		<u>\$ 255,365,088</u>	<u>100</u>	<u>\$ 201,559,196</u>	<u>100</u>

(Continued)

## VI. Finance Overview

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term loans	6(11)	\$ 83,933,343	33	\$ 57,098,277	28
2110	Short-term notes and bills payable	6(12)	104,986,596	41	96,914,188	48
2126	Hedging financial liabilities-current	6(3)	586,800	-	578,276	-
2150	Notes payable		762,215	1	685,111	1
2170	Accounts payable		355,928	-	108,727	-
2180	Accounts payable-related parties	7	158,458	-	205,079	-
2200	Other payables	6(13) and 7	3,165,332	1	2,960,046	2
2230	Current income tax liabilities		724,843	-	512,634	-
2280	Current lease liabilities	7	114,848	-	136,059	-
2320	Bonds payable	6(14)	22,200,000	9	12,200,000	6
2320	Long-term liabilities-current portion	6(15)	7,891	-	-	-
2370	Current financial guarantee liabilities		39,598	-	53,707	-
2399	Guarantee deposits received-current	6(16)	4,275,142	2	3,707,171	2
2399	Other current liabilities, others		65,667	-	61,293	-
21XX	<b>Total current liabilities</b>		<u>221,376,661</u>	<u>87</u>	<u>175,220,568</u>	<u>87</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6(15)	254,832	-	132,902	-
2570	Deferred income tax liabilities	6(30)	360,686	-	227,252	-
2580	Lease liabilities-non-current	7	255,831	-	226,765	-
2645	Guarantee deposits received-non-current	6(16)	224,064	-	258,030	-
25XX	<b>Total non-current liabilities</b>		<u>1,095,413</u>	<u>-</u>	<u>844,949</u>	<u>-</u>
2XXX	<b>Total Liabilities</b>		<u>222,472,074</u>	<u>87</u>	<u>176,065,517</u>	<u>87</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(19)	5,150,004	2	5,150,004	2
3120	Preference stock		500,000	-	-	-
Capital surplus						
3200	Capital surplus	6(20)	12,510,367	5	8,000,217	4
Retained earnings						
3310	Legal reserve	6(21)	2,083,531	1	1,769,387	1
3320	Special reserve		157,171	-	75,482	-
3350	Unappropriated earnings		8,981,897	4	7,917,345	4
Other equity interest						
3400	Other equity interest		98,329	-	(157,171)	-
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>29,481,299</u>	<u>12</u>	<u>22,755,264</u>	<u>11</u>
36XX	Non-controlling interest		<u>3,411,715</u>	<u>1</u>	<u>2,738,415</u>	<u>2</u>
3XXX	<b>Total equity</b>		<u>32,893,014</u>	<u>13</u>	<u>25,493,679</u>	<u>13</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant event after the balance sheet date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 255,365,088</u>	<u>100</u>	<u>\$ 201,559,196</u>	<u>100</u>

## VI. Finance Overview

Items	Notes	Year ended December 31				
		2022		2021		
		Amount	%	Amount	%	
4000	Operating revenue	6(22) and 7	\$ 22,787,250	100	\$ 17,957,948	100
5000	Operating costs	6(23) and 7	( 8,174,315)	( 36)	( 6,028,233)	( 34)
5900	Gross profit		<u>14,612,935</u>	<u>64</u>	<u>11,929,715</u>	<u>66</u>
	Operating expenses	6(28)(29) and 7				
6100	Selling expenses		( 6,293,747)	( 28)	( 5,080,166)	( 28)
6200	General and administrative expenses		( 1,726,702)	( 7)	( 1,416,642)	( 8)
6450	Expected credit losses		( 1,842,082)	( 8)	( 1,110,859)	( 6)
6000	Total operating expenses		( 9,862,531)	( 43)	( 7,607,667)	( 42)
6900	Operating profit		<u>4,750,404</u>	<u>21</u>	<u>4,322,048</u>	<u>24</u>
	Non-operating income and expenses					
7100	Interest income	6(24)	22,678	-	5,496	-
7010	Other income	6(25)	615,636	3	344,625	2
7020	Other gains and losses	6(26)	( 8,645)	-	14,656	-
7050	Finance costs	6(27)	( 4,059)	-	( 4,965)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	( 19,496)	-	( 18,251)	-
7000	Total non-operating income and expenses		<u>606,114</u>	<u>3</u>	<u>341,561</u>	<u>2</u>
7900	<b>Profit before income tax</b>		<u>5,356,518</u>	<u>24</u>	<u>4,663,609</u>	<u>26</u>
7950	Income tax expense	6(30)	( 1,286,934)	( 6)	( 1,133,417)	( 6)
8200	<b>Profit for the year</b>		<u>\$ 4,069,584</u>	<u>18</u>	<u>\$ 3,530,192</u>	<u>20</u>

(Continued)

## VI. Finance Overview

Items	Notes	Year ended December 31			
		2022		2021	
		Amount	%	Amount	%
<b>Other comprehensive income (loss) for the year</b>					
<b>Components of other comprehensive income that may not be reclassified to profit or loss</b>					
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	\$ 162	-	\$ 245	-
8310	Total components of other comprehensive income that may not be reclassified to profit or loss	162	-	245	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statement translation differences of foreign operations	72,090	-	( 21,369)	-
8368	Gains (losses) on hedging instrument	266,365	1	( 87,608)	( 1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	( 57,232)	-	18,238	-
8360	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	281,223	1	( 90,739)	( 1)
8300	<b>Other comprehensive income (loss) for the year, net of tax</b>	\$ 281,385	1	(\$ 90,494)	( 1)
8500	<b>Total comprehensive income for the year</b>	\$ 4,350,969	19	\$ 3,439,698	19
Profit attributable to:					
8610	Owners of parent	\$ 3,623,387	16	\$ 3,141,443	18
8620	Non-controlling interests	446,197	2	388,749	2
		\$ 4,069,584	18	\$ 3,530,192	20
Comprehensive income attributable to:					
8710	Owners of parent	\$ 3,878,887	17	\$ 3,059,754	17
8720	Non-controlling interests	472,082	2	379,944	2
		\$ 4,350,969	19	\$ 3,439,698	19
Earnings per share (in dollars)					
9750	Basic earnings per share	\$ 7.04		\$ 6.10	
9850	Diluted earnings per share	\$ 7.03		\$ 6.09	

## VI. Finance Overview

### Year ended December 31, 2021

Balance at January 1, 2021		\$ 5,150,004	\$ -	\$ 7,996,585	\$ 1,510,832	\$ 116,319	\$ 6,796,121	(\$ 96,897)	\$ 2,749	\$ 18,666	\$ 21,494,379	\$ 2,168,471	\$ 23,662,850
Profit for the year		-	-	-	-	-	3,141,443	-	-	-	3,141,443	388,749	3,530,192
Other comprehensive income (loss) for the year		-	-	-	-	-	-	( 10,792)	245	( 71,142)	( 81,689)	( 8,805)	( 90,494)
Total comprehensive income (loss) for the year		-	-	-	-	-	3,141,443	( 10,792)	245	( 71,142)	3,059,754	379,944	3,439,698
Appropriation and distribution of retained earnings													
Legal reserve	6(21)	-	-	-	258,555	-	( 258,555)	-	-	-	-	-	-
Special reserve	6(21)	-	-	-	-	( 40,837)	40,837	-	-	-	-	-	-
Cash dividends	6(21)	-	-	-	-	-	( 1,802,501)	-	-	-	( 1,802,501)	-	( 1,802,501)
Changes in equity of associates and joint ventures accounted for using equity method	6(6)	-	-	3,632	-	-	-	-	-	-	3,632	-	3,632
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	190,000	190,000
Balance at December 31, 2021		\$ 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

### Year ended December 31, 2022

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 year		-	-	-	-	-	3,623,387	-	-	-	3,623,387	446,197	4,069,584
Other comprehensive income for the year		-	-	-	-	-	-	36,406	162	218,932	255,500	25,885	281,385
Total comprehensive income for the year		-	-	-	-	-	3,623,387	36,406	162	218,932	3,878,887	472,082	4,350,969
Appropriation and distribution of retained earnings													
Legal reserve	6(21)	-	-	-	314,144	-	( 314,144)	-	-	-	-	-	-
Special reserve	6(21)	-	-	-	-	81,689	( 81,689)	-	-	-	-	-	-
Cash dividends	6(21)	-	-	-	-	-	( 2,163,002)	-	-	-	( 2,163,002)	-	( 2,163,002)
Issuance of preference stock	6(19)	-	500,000	4,500,000	-	-	-	-	-	-	5,000,000	-	5,000,000
Compensation cost of share-based payments	6(18)	-	-	10,150	-	-	-	-	-	-	10,150	-	10,150
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	201,218	201,218
Balance at December 31, 2022		\$ 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

## VI. Finance Overview

<u>Cash Flows From Operating Activities</u>					
Profit before tax		\$	5,356,518	\$	4,663,609
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			2,685,773		1,753,133
Depreciation	6(28)		1,435,359		1,338,225
Share-based payment	6(18)		10,150		-
Reversal of impairment loss recognized on leased assets	6(7)	(	4,236	(	8,533
Gains on financial assets at fair value through profit or loss	6(2)(26)	(	3,264	(	-
Net gains on disposals of property, plant and equipment	6(26)	(	3,236	(	2,668
Interest expense	6(23)(27)		2,572,427		1,489,215
Interest income	6(22)(24)	(	16,306,889	(	12,380,771
Dividend income		(	911	(	918
Profit from lease modification	6(8)	(	770	(	75
Share of profit or loss of associates accounted for using equity method	6(6)		19,496		18,251
Exchange loss (gain)			3,805	(	1,147
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		(	296,736	(	-
Notes and accounts receivable		(	52,699,883	(	41,477,327
Other receivables			5,667	(	18,275
Inventories			363,189		590,305
Prepayments		(	248,300	(	308,503
Other financial assets		(	1,981	(	88,090
Net changes in liabilities relating to operating activities					
Notes and accounts payable			100,181	(	236,446
Other payables			253,887		391,351
Current financial guarantee liabilities		(	14,109	(	16,221
Other current liabilities, others			4,374		32,071
Cash outflow generated from operations		(	56,769,489	(	44,262,814
Cash dividends received			911		918
Interest received			16,287,954		12,396,324
Interest paid		(	2,431,301	(	1,537,164
Income tax paid		(	1,126,953	(	1,116,191
Net cash flows used in operating activities		(	44,038,878	(	34,518,927
<u>Cash Flows From Investing Activities</u>					
Acquisition of property, plant and equipment	6(33)	(	2,497,377	(	3,075,435
Net cash flow from acquisition of subsidiaries		(	13,228		-
Acquisition of investments accounted for using equity method	6(6)	(	31,850		-
Proceeds from disposal of property, plant and equipment			8,391		6,951
Increase in other non-current assets		(	13,351	(	402,297
Net cash flows used in investing activities		(	2,547,415	(	3,470,781
<u>Cash Flows From Financing Activities</u>					
Increase in short-term loans	6(34)		26,581,698		15,274,739
Increase in short-term notes and bills payable	6(34)		8,113,400		20,980,000
Proceeds from long-term loans	6(34)		4,235		134,067
Repayments of long-term loans	6(34)	(	1,315	(	221,050
Proceeds from issuance of bonds payable	6(34)		10,000,000		5,200,000
Repayments of bonds payable	6(34)		-	(	2,400,000
Increase in guarantee deposits received	6(34)		534,005		751,867
Cash dividends paid	6(21)(34)	(	2,163,002	(	1,802,501
Proceeds from issuance of preference stock	6(19)		5,000,000		-
(Decrease) increase in other payables	6(34) and 7	(	296,867		738,261
Repayment of principal portion of lease liabilities	6(7)(31)	(	151,410	(	171,858
Change in non-controlling interests			200,000		190,000
Net cash flows from financing activities			47,820,744		38,673,525
Effect of exchange rate changes			89,751	(	15,664
Increase in cash and cash equivalents			1,324,202		668,153
Cash and cash equivalents at beginning of year			1,058,573		390,420
Cash and cash equivalents at end of year		\$	2,382,775	\$	1,058,573

## VI. Finance Overview

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HOTAI FINANCE CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

(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 March 9, 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 2022 are as follows:

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

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

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

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

## VI. Finance Overview

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<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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

New 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>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale of contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Compliance statement

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

### (2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under



the historical cost convention:

- (a) 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 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

## VI. Finance Overview

to profit or loss when the related assets or liabilities are disposed of.

### B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Leasing of light passenger vehicles	50.82	50.82	
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment sales of various vehicles	81.00	81.00	Note 1
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar energy business	80.00	-	Note 2
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Energy storage business	100.00	-	Note 3
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Solar energy business	90.00	-	Note 4
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Solar energy business	90.00	-	Note 4
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Solar energy business	90.00	-	Note 4
Hoyun International Limited	Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	Note 5
Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	100.00	100.00	
Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	100.00	100.00	Note 6
Hoyun International Leasing Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100.00	-	Note 7
Hoyun International Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	-	Note 7
Hoyun International Leasing Co., Ltd.	Homei Consulting (Suzhou) Company Limited	Advisory service	100.00	-	Note 8

Note 1: Established in October 2021.

Note 2: Established in February 2022

Note 3: Acquired in September 2022.

Note 4: Acquired in October 2022.

Note 5: Hoyun International Lease Co., Ltd. was renamed as Hoyun International Leasing Co., Ltd. in September 2022.

Note 6: Established in February 2021.

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 December 31, 2022 and 2021, the non-controlling interest amounted to \$3,411,715 and \$2,738,415, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

## VI. Finance Overview

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
Hoyun International Limited	China	\$2,708,554	49.50%	\$2,244,907	49.50%

Summarised financial information of the subsidiaries:

### Balance sheets

	Hoyun International Limited	
	December 31, 2022	December 31, 2021
Current assets	\$ 26,651,451	\$ 21,790,644
Non-current assets	3,029,418	2,746,636
Current liabilities	( 23,836,645)	( 19,600,844)
Non-current liabilities	( 372,397)	( 401,271)
Total net assets	<u>\$ 5,471,827</u>	<u>\$ 4,535,165</u>

### Statements of comprehensive income

	Hoyun International Limited	
	Years ended December 31,	
	2022	2021
Revenue	\$ 3,654,842	\$ 3,296,668
Profit before income tax	1,189,879	1,097,464
Income tax expense	( 305,511)	( 309,389)
Profit for the year	<u>884,368</u>	<u>788,075</u>
Other comprehensive (loss) income, net of tax	<u>52,294</u>	<u>( 17,789)</u>
Total comprehensive income for the year	<u>\$ 936,662</u>	<u>\$ 770,286</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 463,647</u>	<u>\$ 381,292</u>

### Statements of cash flows

	Hoyun International Limited	
	Years ended December 31,	
	2022	2021
Net cash used in operating activities	(\$ 2,931,203)	(\$ 3,076,553)
Net cash used in investing activities	( 604,663)	( 748,661)
Net cash provided by financing activities	3,723,426	4,113,020
Effect of exchange rates on cash and cash equivalents	<u>89,751</u>	<u>( 15,664)</u>
Increase in cash and cash equivalents	<u>277,311</u>	<u>272,142</u>
Cash and cash equivalents, beginning of year	<u>497,336</u>	<u>225,194</u>
Cash and cash equivalents, end of year	<u>\$ 774,647</u>	<u>\$ 497,336</u>

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### (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:

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- 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.

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The Group subsequently measures the financial assets at fair value:

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

### (9) Accounts and notes receivable

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

### (10) Impairment of financial assets

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

### (11) Derecognition of financial assets

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

### (12) Leasing arrangements (lessor) - lease receivables/ operating leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the gross investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.
  - (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
  - (c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

### (13) Investments accounted for using equity method -associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

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- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
  - C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
  - D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
  - F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- (14) Property, plant and equipment
- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
  - B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Buildings and structures	15 ~ 50 years
Furniture and fixtures (office equipment)	3 ~ 20 years
Transportation equipment	1 ~ 6 years
Leasehold improvements	3 ~ 10 years

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

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



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### (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'.

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### (22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

### (23) Hedge activities

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

B. The Group designates the hedging relationship as follows:

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

C. Cash flow hedges

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

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

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

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

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

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment.

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

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

(25) Employee share-based payment

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

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### (26) Income tax

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

### (27) Share capital

Ordinary shares are classified as equity. The classification of preferred shares is determined according to the special rights attached to the preferred shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preferred shares are classified as liabilities when they have the fundamental characteristic of financial liabilities; otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

### (28) Dividends

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

### (29) Revenue recognition

#### A. Sales of goods

Revenue from sales of goods comes from sales of operating assets held for rental to others. Sales are recognized when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

#### B. Interest income

The Company accrues interest income from installment sales. No gross profit is recognized from transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when transactions occur. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, which interest is recognized using interest method annually over the installment period.

#### C. Rental revenue

Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards of the leased asset. Otherwise a lease is classified as an operating lease. The lessor records the payments arising from the finance lease as 'lease receivables'.

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

#### D. Service revenue

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

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

#### E. Electricity sales revenue

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

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### (30) Business combinations

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

### (31) Operating segments

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

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

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

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

None.

### (2) Critical accounting estimates and assumptions

Evaluation of allowance for doubtful accounts

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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 \$234,732,835 as of December 31, 2022.

### 6. DETAILS OF SIGNIFICANT ACCOUNTS

#### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 3,966	\$ 3,445
Checking accounts and demand deposits	2,356,739	1,033,414
Cash equivalents		
Time deposits	22,070	21,714
Total	<u>\$ 2,382,775</u>	<u>\$ 1,058,573</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>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<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>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 3,264</u>	<u>\$ -</u>

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

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







## VI. Finance Overview

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Installment notes receivable	\$ 9,279,605	\$ 8,333,934
Installment accounts receivable	234,175,684	179,033,928
Accounts receivable	10,136	-
Lease payments and notes receivable	<u>27,491,636</u>	<u>22,352,564</u>
	270,957,061	209,720,426
Less: Unrealized interest revenue	( 28,830,021)	( 19,092,348)
Unearned finance income	( 2,685,321)	( 2,196,821)
Allowance for doubtful accounts	<u>( 4,708,884)</u>	<u>( 3,722,206)</u>
Notes and accounts receivable, net	<u>\$ 234,732,835</u>	<u>\$ 184,709,051</u>

As of December 31, 2022 and 2021, notes receivable pledged as collaterals for loans and commercial papers to banks amounted to \$9,419,216 and \$5,349,850, 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>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 268,604,715	\$ 208,270,199
31 to 60 days	794,048	471,249
61 to 90 days	458,572	253,201
91 to 120 days	303,456	187,611
121 to 150 days	305,658	127,510
Over 151 days	490,612	410,656
	<u>\$ 270,957,061</u>	<u>\$ 209,720,426</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>December 31, 2022</u>	<u>December 31, 2021</u>
Not later than one year	\$ 80,152,869	\$ 63,807,623
Over 1 year	163,302,420	123,560,239
	<u>\$ 243,455,289</u>	<u>\$ 187,367,862</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).

## VI. Finance Overview

### (5) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments	\$ 3,205,965	\$ 2,568,873
Prepaid commission	2,879,378	3,219,604
Prpaid insurance premiums	178,600	166,882
Others	622,227	674,512
	<u>\$ 6,886,170</u>	<u>\$ 6,629,871</u>

### (6) Investments accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Hotai Mobility Service Co., Ltd.	\$ 91,148	\$ 103,148
ZHENG-REN ENERGY Co., Ltd.	24,354	-
	<u>\$ 115,502</u>	<u>\$ 103,148</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 December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$115,502 and \$103,148, respectively.

	<u>2022</u>	<u>2021</u>
Comprehensive loss for the year	(\$ 19,496)	(\$ 18,251)

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 (\$19,496) and (\$18,251) for the years ended December 31, 2022 and 2021, respectively, and were recognized based on the financial statements audited by other independent auditors.

C. 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.

D. In April 2021, the Company did not participate in the cash capital increase raised by Hotai Mobility Service Co., Ltd. proportionally to its interest. As a result, the shareholding ratio decreased to 27.4% from 40%. Changes in capital surplus incurred amounted to \$3,632.

## VI. Finance Overview

### (7) Property, plant and equipment

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	407,281	65,593	472,874	30,051	1,594,617	1,624,668	16,353	2,651,956
Acquired from business combinations	-	19,122	159,861	-	159,861	-	-	-	-	178,983
Disposal	-	-	( 589)	-	( 589)	( 2,804)	( 1,762)	( 4,566)	-	( 5,155)
Reclassifications	( 231,623)	( 55,302)	-	( 9,980)	( 9,980)	-	( 356,212)	( 356,212)	-	( 653,117)
Depreciation	-	( 5,730)	( 21,712)	( 159,458)	( 181,170)	( 25,163)	( 1,054,814)	( 1,079,977)	( 16,531)	( 1,283,408)
Gain on reversal of impairment loss	-	-	-	4,236	4,236	-	-	-	-	4,236
Net exchange differences	-	-	88	-	88	929	15,502	16,431	115	16,634
Closing net book amount as at December 31	<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>
At December 31										
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>

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.

## VI. Finance Overview

	2021									
			Furniture and fixtures (including office equipment)			Transportation equipment				
	Land	Buildings and structures	Owner- occupied	Lease (Note)	Subtotal	Owner- occupied	Lease (Note)	Subtotal	Leasehold improvements	Total
At January 1										
Cost	\$ 197,659	\$ 46,213	\$ 97,079	\$ 685,127	\$ 782,206	\$ 111,967	\$ 5,198,398	\$ 5,310,365	\$ 88,927	\$6,425,370
Accumulated depreciation and impairment	-	( 17,692)	( 52,618)	( 342,473)	( 395,091)	( 49,095)	( 1,256,749)	( 1,305,844)	( 47,831)	( 1,766,458)
	<u>\$ 197,659</u>	<u>\$ 28,521</u>	<u>\$ 44,461</u>	<u>\$ 342,654</u>	<u>\$ 387,115</u>	<u>\$ 62,872</u>	<u>\$ 3,941,649</u>	<u>\$ 4,004,521</u>	<u>\$ 41,096</u>	<u>\$4,658,912</u>
Opening net book amount as at 4 January 1	\$ 197,659	\$ 28,521	\$ 44,461	\$ 342,654	\$ 387,115	\$ 62,872	\$ 3,941,649	\$ 4,004,521	\$ 41,096	\$4,658,912
Additions	503,650	209,052	31,536	122,153	153,689	21,507	2,166,248	2,187,755	21,289	3,075,435
Disposal	-	-	( 276)	-	( 276)	( 3,064)	-	( 3,064)	( 943)	( 4,283)
Reclassifications	-	-	( 231)	( 11,615)	( 11,846)	231	( 577,445)	( 577,214)	-	( 589,060)
Depreciation	-	( 5,228)	( 11,685)	( 186,657)	( 198,342)	( 23,453)	( 923,948)	( 947,401)	( 16,227)	( 1,167,198)
Gain on reversal of impairment loss	-	-	-	8,533	8,533	-	-	-	-	8,533
Net exchange differences	-	-	( 40)	-	( 40)	( 355)	( 5,221)	( 5,576)	( 48)	( 5,664)
Closing net book amount as at December 31	<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>
At December 31										
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>

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.

## VI. Finance Overview

### (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>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 25,299	\$ 376
Buildings and structures	340,974	354,571
Machinery and equipment	2,191	3,288
	<u>\$ 368,464</u>	<u>\$ 358,235</u>

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 858	\$ 94
Buildings and structures	147,838	169,837
Machinery and equipment	1,096	1,096
	<u>\$ 149,792</u>	<u>\$ 171,027</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$184,416 and \$234,604, respectively.

D. The information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,142	\$ 4,965
Expense on short-term lease contracts and leases of low-value assets	47,137	21,514
Profit from lease modification	770	75
Expense on variable lease payments	1,494	-

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$204,183 and \$198,337, 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.

## VI. Finance Overview

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:

	Years ended December 31,	
	2022	2021
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Finance income from the net investment in the finance lease	\$ 2,722,938	\$ 2,327,949

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Next 1 year	\$ 18,589,016	\$ 15,501,930
Next 2 years	7,044,578	5,640,813
Next 3 years	1,476,779	1,148,102
Next 4 years	175,853	23,543
Next 5 years	119,922	2,064
Next 6 years	7,537	-
	<u>\$ 27,413,685</u>	<u>\$ 22,316,452</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Undiscounted lease payments	\$ 27,413,685	\$ 22,316,452
Unearned finance income	( 2,685,321)	( 2,196,821)
Net investment in the lease	<u>\$ 24,728,364</u>	<u>\$ 20,119,631</u>

E. For the years ended December 31, 2022 and 2021, the Group recognized rent income in the amounts of \$4,307,603 and \$3,351,901 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>December 31, 2022</u>	<u>December 31, 2021</u>
Next 1 year	\$ 566,590	\$ 640,635
Next 2 years	188,105	343,678
Next 3 years	64,911	84,513
Next 4 years	16,625	21,071
Next 5 years	3,845	4,869
	<u>\$ 840,076</u>	<u>\$ 1,094,766</u>

## VI. Finance Overview

### (10) Investment property

	2022		
	Land	Buildings and structures	Total
At January 1	\$ -	\$ -	\$ -
Reclassifications	231,623	55,302	286,925
Depreciation charge	-	( 2,159)	( 2,159)
	<u>\$ 231,623</u>	<u>\$ 53,143</u>	<u>\$ 284,766</u>
At December 31			
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>

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

	<u>Year ended December 31, 2022</u>
Rental income from investment property	<u>\$ 5,039</u>
Direct operating expenses arising from the investment property that generated rental income during the year ( including depreciation expense)	<u>\$ 3,139</u>

B. The fair value of the investment property held by the Group as at December 31, 2022 was \$323,664

### (11) Short-term loans

<u>Type of loans</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank loans		
Credit loans	\$ 51,385,627	\$ 42,944,420
Pledged loans	7,500,000	4,800,000
Mid-term syndicated loans for working capital	<u>25,047,716</u>	<u>9,353,857</u>
	<u>\$ 83,933,343</u>	<u>\$ 57,098,277</u>
Interest rates	<u>0.55%~5.59%</u>	<u>0.52%~4.75%</u>

As of December 31, 2022 and 2021, 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% and 0.52%~4.75%, respectively.



## VI. Finance Overview

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- B. The Company has entered into a mid-term syndicated contract for a credit line of \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from the first time of being drawn), the loan can be drawn several times. The loan has not yet been drawn as of December 31, 2022.
- C. The Company has entered into a mid-term syndicated contract for a credit line of JPY 25 billion with 9 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 12 months (from December 6, 2022 to December 6, 2023). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- D. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 980 million with 12 financial institutions including Mizuho Bank, Ltd. in order to fulfil its working capital. Within six months from the contract signing date (from July 26, 2022 to January 26, 2023), the loan can be drawn several times but is non-revolving. Each borrowing period is 36 months. The payment term is to repay the drawn amounts in installments within the contract period.
- E. The Company has entered into a mid-term syndicated contract for a credit line of \$15,000,000 with 18 financial institutions including CTBC Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from June 29, 2022 to June 27, 2025). The loan can be drawn several times. Of the total loan, \$7,056,600 is non-revolving and the payment term is to repay the drawn amounts in installments within the contract period. The remaining amount of \$7,943,400 is revolving and the payment term is to repay the full drawn amount at the maturity date.
- F. The Company has entered into a mid-term syndicated contract for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, in order to fulfil its working capital. The duration is 36 months (from September 9, 2021 to September 9, 2024). The loan can be drawn several times but is non-revolving. The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- G. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- H. For the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods, the Group is required to maintain specific current ratio, owner's capital ratio, interest coverage ratio, net value, net tangible assets, debt to equity ratio, equity to assets ratio, net tangible assets to assets ratio and non-performing loan ratio.

## VI. Finance Overview

### (12) Short-term notes and bill payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$ 105,113,400	\$ 97,000,000
Less: Unamortized discount	( 126,804)	( 85,812)
	<u>\$ 104,986,596</u>	<u>\$ 96,914,188</u>
Interest rates	<u>0.66%~1.99%</u>	<u>0.39%~1.04%</u>

### (13) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages and salaries payable	\$ 694,261	\$ 703,459
Payable on loan financing	441,394	738,261
Interest payable	320,593	138,475
Commission payable	287,466	305,635
Business tax payable	235,784	162,439
Receipts under custody	54,847	42,128
Fee expenses payable	50,299	1,663
Employees' compensation payable	47,040	40,074
Others	1,033,648	827,912
	<u>\$ 3,165,332</u>	<u>\$ 2,960,046</u>

### (14) Bond payable

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

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

- A. 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.
- B. 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.
- C. 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.
- D. 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.
- E. 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.

## VI. Finance Overview

F. The Company issued \$2,400,000, 0.73% first unsecured ordinary bonds in 2018. The bonds mature 3 years from the issue date (July 6, 2018 ~ July 6, 2021) and will be redeemed in cash at face value at the maturity date. The bonds were fully paid at the maturity date.

### (15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	December 31, 2022	December 31, 2021
Long-term bank borrowings				
Secured borrowings (Note)	Borrowing period is from August 2022 to August 2027; interest is repayable monthly, repayment of principal	2.67%	\$ 23,918	\$ -
	Borrowing period is from September 2022 to August 2029; interest is repayable monthly, repayment of principal	2.64%	30,564	-
	Borrowing period is from October 2022 to October 2027; interest is repayable monthly, repayment of principal	1.96%	4,187	-
	Borrowing period is from June 2022 to June 2029; interest is repayable monthly, repayment of principal	2.64%	36,160	-
	Borrowing period is from September 2022 to June 2029; interest is repayable monthly, repayment of principal	2.64%	20,336	-
Unsecured borrowings	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.20% ~1.31%	147,558	132,902
			262,723	132,902
Less: Long-term liabilities, current portion			( 7,891)	-
			<u>\$ 254,832</u>	<u>\$ 132,902</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 December 31, 2022 was 1.96%~5.30%.

B. As of December 31, 2022, the maturities of long-term borrowings are as follows:

<u>Duration of maturity</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Up to 1 year	\$ 7,891	\$ -
1 to 2 years	155,449	-
2 to 3 years	99,383	132,902
	<u>\$ 262,723</u>	<u>\$ 132,902</u>

### (16) Guarantee deposits received

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 4,275,142	\$ 3,707,171
Non-current	224,064	258,030
	<u>\$ 4,499,206</u>	<u>\$ 3,965,201</u>

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

## VI. Finance Overview

### (17) Pensions

#### Defined contribution pension plan

- A. Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company’s mainland China subsidiary, Hoyun International Leasing Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The average contribution percentage for the years ended December 31, 2022 and 2021 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 years ended December 31, 2022 and 2021 were \$124,748 and \$96,794, respectively.

### (18) Share-based payment

- A. For the year ended December 31, 2022, the Group’s share-based payment arrangement was as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2022.8.4	5,000 thousand shares	NA	Vested immediately

- B. The fair value of stock options on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected volatility(%)	Expected option life (years)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2022.8.4	\$101.72	\$ 100	6.35	0.112	0.6113	\$ 2.03

- C. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2022
Equity-settled	10,150

## VI. Finance Overview

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### (19) Share capital

- A. As of December 31, 2022 and 2021, 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.

## VI. Finance Overview

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- (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.

### (20) 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.

### (21) 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.

## VI. Finance Overview

- 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 June 23, 2022 and July 22, 2021, the shareholders resolved the distribution of earnings for the years of 2021 and 2020 as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 314,144		\$ 258,555	
Special reserve	81,689		( 40,837)	
Cash dividend	<u>2,163,002</u>	\$ 4.20	<u>1,802,501</u>	\$ 3.50
	<u>\$ 2,558,835</u>		<u>\$ 2,020,219</u>	

- F. On March 9, 2023, the Board of Directors resolved the distribution of earnings of 2022 as follows:

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

- G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(29).

## VI. Finance Overview

### (22) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 2,205,957	\$ 2,238,151
Other operating revenue		
Interest income	13,561,273	10,047,326
Revenue from operating leases	4,297,082	3,344,522
Revenue from finance leases	2,722,938	2,327,949
	<u>\$ 22,787,250</u>	<u>\$ 17,957,948</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>Year ended December 31, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,994,379	\$ 211,578	\$ 2,205,957
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 1,994,379</u>	<u>\$ 211,578</u>	<u>\$ 2,205,957</u>
Timing of revenue recognition			
At a point in time	\$ 1,695,735	\$ 211,578	\$ 1,907,313
Over time	298,644	-	298,644
	<u>\$ 1,994,379</u>	<u>\$ 211,578</u>	<u>\$ 2,205,957</u>
<u>Year ended December 31, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,995,007	\$ 243,144	\$ 2,238,151
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 1,995,007</u>	<u>\$ 243,144</u>	<u>\$ 2,238,151</u>
Timing of revenue recognition			
At a point in time	\$ 1,626,088	\$ 243,144	\$ 1,869,232
Over time	368,919	-	368,919
	<u>\$ 1,995,007</u>	<u>\$ 243,144</u>	<u>\$ 2,238,151</u>

### (23) Operating costs

	Years ended December 31,	
	2022	2021
Rental costs	\$ 3,167,397	\$ 2,536,582
Interest costs	2,568,368	1,484,250
Cost of sales	1,949,088	1,857,052
Service costs	475,794	149,729
Other costs	13,668	620
	<u>\$ 8,174,315</u>	<u>\$ 6,028,233</u>



## VI. Finance Overview

### (24) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 12,938	\$ 5,443
Interest income from short-term notes payable	9,238	2
Other interest income	502	51
	<u>\$ 22,678</u>	<u>\$ 5,496</u>

### (25) Other income

	Years ended December 31,	
	2022	2021
Rental income	\$ 10,521	\$ 7,379
Other income - others	605,115	337,246
	<u>\$ 615,636</u>	<u>\$ 344,625</u>

### (26) Other gains and losses

	Years ended December 31,	
	2022	2021
Gains on disposals of property, plant and equipment	\$ 3,236	\$ 2,668
Gains on financial assets at fair value through profit or loss	3,264	-
Foreign exchange (losses) gains	( 3,606)	19,840
Miscellaneous disbursements	( 11,539)	( 7,852)
	<u>(\$ 8,645)</u>	<u>\$ 14,656</u>

### (27) Finance costs

	Years ended December 31,	
	2022	2021
Finance expense, others	\$ 4,059	\$ 4,965

### (28) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 2,818,624	\$ 2,371,961
Depreciation charges on right-of-use assets	\$ 149,792	\$ 171,027
Depreciation charges on property, plant and equipment	\$ 1,283,408	\$ 1,167,198
Depreciation charges on investment property	\$ 2,159	\$ -

## VI. Finance Overview

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### (29) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 2,341,843	\$ 1,974,891
Labor and health insurance fees	199,359	169,386
Pension costs	124,748	96,794
Directors' and supervisors' remuneration	6,701	8,314
Other personnel expenses	145,973	122,576
	<u>\$ 2,818,624</u>	<u>\$ 2,371,961</u>

- A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' remuneration. The percentage shall be 1% for employees' remuneration. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.
- B. For the years ended December 31, 2022 and 2021, employees' remuneration were accrued at \$46,480 and \$40,063, 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 year ended December 31, 2022.

The employees' remuneration of 2022 resolved by the Board of Directors amounted to \$46,480 and the employees' remuneration will be distributed in the form of cash.

Employees' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in salary expenses of 2021.

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.

## VI. Finance Overview

### (30) Income tax

#### A. Income tax expense

##### (a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 1,311,625	\$ 1,038,966
Tax on undistributed surplus earnings	29,212	28,267
Prior year income tax over estimation	( 1,675)	( 11,750)
Total current tax	<u>1,339,162</u>	<u>1,055,483</u>
Deferred tax:		
Origination and reversal of temporary differences	( 52,228)	77,934
Total deferred tax	( 52,228)	77,934
Income tax expense	<u>\$ 1,286,934</u>	<u>\$ 1,133,417</u>

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

	Years ended December 31,	
	2022	2021
Cash flow hedges	<u>\$ 57,232</u>	<u>(\$ 18,238)</u>

#### B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory	\$ 1,210,979	\$ 1,067,824
Effect from items adjusted based on other regulations	48,418	49,076
Tax on undistributed surplus earnings	29,212	28,267
Prior year income tax over estimation	( 1,675)	( 11,750)
Income tax expense	<u>\$ 1,286,934</u>	<u>\$ 1,133,417</u>

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

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

## VI. Finance Overview

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Allowance for doubtful accounts	\$ 661,980	\$ 140,882	\$ -	\$ 802,862
Unrealized provision of rental property losses	2,381	( 847)	-	1,534
Difference in depreciation between financial and tax reporting purposes	17,185	314	-	17,499
Others	16,881	1,200	( 13,119)	4,962
Subtotal	<u>\$ 698,427</u>	<u>\$ 141,549</u>	<u>(\$ 13,119)</u>	<u>\$ 826,857</u>
-Deferred tax liabilities:				
Gains from overseas' investment	( 227,252)	( 89,321)	-	( 316,573)
Others	-	-	( 44,113)	( 44,113)
Subtotal	<u>(\$ 227,252)</u>	<u>(\$ 89,321)</u>	<u>(\$ 44,113)</u>	<u>(\$ 360,686)</u>
Total	<u>\$ 471,175</u>	<u>\$ 52,228</u>	<u>(\$ 57,232)</u>	<u>\$ 466,171</u>
	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Allowance for doubtful accounts	\$ 661,681	\$ 299	\$ -	\$ 661,980
Unrealized provision of rental property losses	4,087	( 1,706)	-	2,381
Difference in depreciation between financial and tax reporting purposes	14,576	2,609	-	17,185
Others	3,302	460	13,119	16,881
Subtotal	<u>\$ 683,646</u>	<u>\$ 1,662</u>	<u>\$ 13,119</u>	<u>\$ 698,427</u>
-Deferred tax liabilities:				
Gains from overseas' investment	( 147,656)	( 79,596)	-	( 227,252)
Others	( 5,119)	-	5,119	-
Subtotal	<u>(\$ 152,775)</u>	<u>(\$ 79,596)</u>	<u>\$ 5,119</u>	<u>(\$ 227,252)</u>
Total	<u>\$ 530,871</u>	<u>(\$ 77,934)</u>	<u>\$ 18,238</u>	<u>\$ 471,175</u>

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

## VI. Finance Overview

### (31) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$ 3,623,387</u>	<u>515,000</u>	<u>\$ 7.04</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>521</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,623,387</u>	<u>515,521</u>	<u>\$ 7.03</u>

	Year ended December 31, 2021		
	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	<u>\$ 3,141,443</u>	<u>515,000</u>	<u>\$ 6.10</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>517</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,141,443</u>	<u>515,517</u>	<u>\$ 6.09</u>

### (32) Business combinations

- A. On October 12, 2022, the Group acquired 90% of the share capital of Chaoyang Energy Co., Ltd., Guang Yang Energy Co., Ltd. and XianYao Energy Co., Ltd. for \$10,963 and obtained the control over these companies. These companies are engaged in solar energy business in Taiwan. As a result of the acquisition, the Group is expected to increase its presence in these markets.

## VI. Finance Overview

B. The following table summarises the consideration paid for Chaoyang Energy Co., Ltd., Guang Yang Energy Co., Ltd. and XianYao Energy Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>October 12, 2022</u>
Purchase consideration	
Cash paid	\$ 10,963
Non-controlling interest	<u>1,218</u>
	<u>12,181</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	5,239
Accounts receivable	9,674
Other receivables	6
Prepayments	7,999
Property, plant and equipment	178,983
Other non-current assets	11,597
Accounts payable	( 10,798)
Other payables	( 66,148)
Notes payable	( 12,126)
Long-term liabilities-current portion	( 7,609)
Long-term loans	<u>( 104,636)</u>
Total identifiable net assets	<u>12,181</u>
Goodwill	<u>\$ -</u>

C. The operating revenue included in the consolidated statement of comprehensive income since October 12, 2022 contributed by Chaoyang Energy Co., Ltd., Guang Yang Energy Co., Ltd. and Xian Yao Energy Co., Ltd. was \$3,606. These companies also contributed profit before income tax of (\$253) over the same period. Had these companies been consolidated from January 1, 2022, the consolidated statement of comprehensive income would show operating revenue of \$22,796,758 and profit before income tax of \$5,359,277.

### (33) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31, 2022</u>
Purchase of property, plant and equipment	\$ 2,651,956
Less: Ending balance of payable on equipment (Shown as 'Accounts payable')	<u>( 154,579)</u>
Cash paid during the year	<u>\$ 2,497,377</u>

## VI. Finance Overview

### (34) Changes in liabilities from financing activities

	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	26,581,698	8,113,400	10,000,000	2,920	534,005	( 296,867)	( 151,410)	( 2,163,002)	42,620,744
Impace of changes in foreign exchange rate	32,112	-	-	5,974	-	-	752	-	38,838
Others	221,256	( 40,992)	-	120,927	-	-	158,513	2,163,002	2,622,706
At December 31	\$ 83,933,343	\$ 104,986,596	\$ 22,200,000	\$ 262,723	\$ 4,499,206	\$ 441,394	\$ 370,679	\$ -	\$ 216,693,941

	2021								
	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	\$ 41,957,854	\$ 75,993,267	\$ 9,400,000	\$ 222,276	\$ 3,213,334	\$ -	\$ 313,987	\$ -	\$ 131,100,718
Changes in cash flow from financing activities	15,274,739	20,980,000	2,800,000	( 86,983)	751,867	738,261	( 171,858)	( 1,802,501)	38,483,525
Impace of changes in foreign exchange rate	1,301	-	-	( 2,391)	-	-	( 301)	-	( 1,391)
Others	( 135,617)	( 59,079)	-	-	-	-	220,996	1,802,501	1,828,801
At December 31	\$ 57,098,277	\$ 96,914,188	\$ 12,200,000	\$ 132,902	\$ 3,965,201	\$ 738,261	\$ 362,824	\$ -	\$ 171,411,653

### 7. RELATED PARTY TRANSACTIONS

#### (1) Parent and ultimate controlling party

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

#### (2) Names of related parties and relationship

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

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Names of related parties	Relationship with the Group
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
Hotai Innovation marketing Corporation	Other related parties
Smart Design Technology Co., Ltd.	Other related parties
Zhongyang Motor Co., Ltd.	Other related parties
Hotai Mobility Service Co., Ltd.	Other related parties
Quan An Transportation Co., Ltd.	Other related parties
Yu Cheng Transportation Co., Ltd.	Other related parties
Innovation AUTO Parts Co., Ltd.	Other related parties
KAU ZHI Co., Ltd.	Other related parties
WANG FU CO., LTD.	Other related parties
Ho Cheng AUTO Parts Co., Ltd.	Other related parties
Tung Yu Motor Material Co., Ltd.	Other related parties
Hozao Enterprise Co., Ltd.(Hozao)	Other related parties
Shanghai Hozhan Motor Service.co., Ltd. (Shanghai Hozhan)	Other related parties
Shanghai Yangpu Heling Motor Sale & Service Co., Ltd. (Yangpu Heling)	Other related parties
Shanghai Heling Motor Service Co., Ltd.	Other related parties
Shanghai Ho-mian Motor Technology Co., Ltd.	Other related parties
Shanghai Hoxin Motor Service Consulting Co., Ltd.	Other related parties
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Tianjin Hozhan Motor Service Co., Ltd. (Tianjin Hozhan)	Other related parties
Tianjin Heyi International Trading Co., Ltd.	Other related parties
Tianjin Ho-yu Motor Sales And Service Co., Ltd.	Other related parties
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Other related parties
Shanghai Hoyu Motor Service Co., Ltd.(Shanghai Hoyu)	Other related parties
Chongqing Takang Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties



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Names of related parties	Relationship with the Group
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Chongqing Yurun Toyota Automobile Service Co., Ltd.	Other related parties
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	Other related parties
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Nanjing HoZhan Motor Sales and Service Co., Ltd. (Nanjing HoZhan)	Other related parties
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Guangzhou Gac Changho Autotech Corporation	Other related parties
San Xing (Shanghai) Business Management Consulting Co., Ltd. (San Xing)	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

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 196,694	\$ 243,816
- Other related parties	262,830	326,270
	<u>\$ 459,524</u>	<u>\$ 570,086</u>

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

##### (b) Rental assets income

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 1,172	\$ 966
- Other related parties	119,521	109,885
	<u>\$ 120,693</u>	<u>\$ 110,851</u>

##### (c) Sales revenue

	Years ended December 31,	
	2022	2021
- Other related parties	<u>\$ 38,624</u>	<u>\$ 51,886</u>

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### (d) Fee income

	Years ended December 31,	
	2022	2021
- Other related parties	\$ 20,240	\$ 14,501

### (e) Consulting revenue

	Years ended December 31,	
	2022	2021
- Other related parties		
San Xing	\$ 7,142	\$ 12,318

### (f) Other income

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 10,176	\$ 23,824
- Other related parties	11,936	6,213
	\$ 22,112	\$ 30,037

## B. Expenses

### (a) Cost of rental sales:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 733	\$ 92
- Other related parties	514,679	264,853
	\$ 515,412	\$ 264,945

### (b) Rental expense:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 891	\$ 95
- Other related parties		
Hoyun	10,688	9,834
Others	22,891	2,786
	\$ 34,470	\$ 12,715

### (c) Administrative service fee:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 1,757	\$ 7,296
- Other related parties	11,865	14,914
	\$ 13,622	\$ 22,210

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### (d) Commission expense:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 25,583	\$ 16,985
- Other related parties	333,356	335,486
	<u>\$ 358,939</u>	<u>\$ 352,471</u>

### (e) Postage expense

	Years ended December 31,	
	2022	2021
- Other related parties	\$ 8,718	\$ 9,959

### (f) Advertisement expense

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 1	\$ 71
- Other related parties		
Hotai Connected	45,692	15,523
Others	7	3,775
	<u>\$ 45,700</u>	<u>\$ 19,369</u>

### (g) Chattel custody service fee

	Years ended December 31,	
	2022	2021
- Other related parties	\$ 41,670	\$ -

### (h) Others

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 1,919	\$ 5,114
- Other related parties		
Kuotu	6,400,391	7,535,289
Kau Du	4,683,949	5,570,457
Tau Miao	3,706,139	5,212,906
Central Motor	628,921	5,186,111
Others	4,254,797	8,710,582
	<u>\$ 19,676,116</u>	<u>\$ 32,220,459</u>

As described in Note 4(29), installment sales of the Company are intended primarily to earn interest revenue. Sales revenue and the cost of goods sold from installment sales are equal and are eliminated in the statement of comprehensive income. The credit terms to related parties

## VI. Finance Overview

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were the same as those to third parties.

Since January 1, 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- The ultimate parent	\$ 32,800	\$ 63,919
- Other related parties	52,399	138,380
	<u>\$ 85,199</u>	<u>\$ 202,299</u>

#### (b) Other receivables:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- The ultimate parent	\$ 6,384	\$ 189
- Other related parties	3,593	11,554
	<u>\$ 9,977</u>	<u>\$ 11,743</u>

#### (c) Accounts payable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- Other related parties		
Kuotu	\$ 90,248	\$ 73,890
Kau Du	37,730	31,959
Taipei Motor	29,980	71,300
Others	500	27,930
	<u>\$ 158,458</u>	<u>\$ 205,079</u>

#### (d) Other payables:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- The ultimate parent	\$ 875	\$ 1,527
- Other related parties	91,771	66,528
	<u>\$ 92,646</u>	<u>\$ 68,055</u>

#### (e) Prepayments:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- Other related parties	\$ 13,382	\$ 27,220

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

#### (a) Lease:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 47,702	\$ 730,945
- Other related parties		
Kuotu	354,993	176,588
Central Motor	316,621	185,796
Taipei Motor	253,062	116,708
Shanghai Heling	164,069	201,484
Others	357,670	299,182
	<u>\$ 1,494,117</u>	<u>\$ 1,710,703</u>

#### (b) Owner-occupied:

	Years ended December 31,	
	2022	2021
- Other related parties		
Nanjing Hozhan	\$ 4,882	\$ -
Shanghai Hozhan	3,634	1,860
Tianjin Hozhan	2,297	1,295
Yangpu Heling	-	1,264
Shanghai Hoyu	-	833
Hozao	-	720
Others	875	-
	<u>\$ 11,688</u>	<u>\$ 5,972</u>

### E. Lease transactions-lessee

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

#### (b) Acquisition of right-of-use assets:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ -	\$ 12,975
- Other related parties	-	25
	<u>\$ -</u>	<u>\$ 13,000</u>

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### (c) Lease liabilities:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 3,798	\$ 20,541
- Other related parties		
Ho Yu	17,956	35,713
Others	434	242
	<u>\$ 22,188</u>	<u>\$ 56,496</u>

### F. Loans from related parties:

Loans from related parties

Outstanding balance:

	December 31, 2022	December 31, 2021
- Other related parties		
Hotong	<u>\$ 441,394</u>	<u>\$ 738,261</u>

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

### (4) Key management compensation

	Years ended December 31,	
	2022	2021
Wages, salaries and others short-term employee benefits	\$ 70,177	\$ 43,442
Post-employment benefits	718	384
	<u>\$ 70,895</u>	<u>\$ 43,826</u>

## 8. PLEGGED ASSETS

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

Items	December 31, 2022	December 31, 2021	Purpose
Pledged assets (Note)			
- Pledged time deposits	\$ 63,246	\$ 62,244	Guarantee deposit for credit line on gasoline purchases
- Pledged savings account			Pledged to banks as collateral for short-term borrowings, commercial paper payable, acceptance bill and performance guarantee
	<u>392,100</u>	<u>391,121</u>	
	<u>\$ 455,346</u>	<u>\$ 453,365</u>	
Notes and accounts receivable, net			
- Notes receivable from installment sales	\$ 5,185,894	\$ 5,286,801	Pledged to banks as collateral for short-term borrowings and commercial paper payable
- Notes receivable from leases	66,561	63,049	"
- Lease payments receivable	4,166,761	-	"
	<u>\$ 9,419,216</u>	<u>\$ 5,349,850</u>	
Property, plant and equipment	<u>\$ 181,803</u>	<u>\$ -</u>	Pledged to banks as collateral for long-term borrowings

Note: Shown as ‘Other current financial assets’ and ‘Other non-current assets, others’.

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### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

### 10. SIGNIFICANT DISASTER LOSS

None.

### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(21) for the appropriation of 2022 earnings.

(2) In January 2023, the subsidiary, He Jun Energy Co., Ltd. had a participation in the capital increase raised by Heng Fong Energy Co., Ltd. with the amount to \$ 410,000 and the shareholding ratio was 20% thereafter.

### 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>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 300,000	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 3,519	\$ 3,357
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	\$ 2,382,775	\$ 1,058,573
Notes receivable	9,340,046	8,452,119
Accounts receivable	216,928,982	172,174,148
Other receivables	82,568	69,294
Guarantee deposits paid	193,955	141,101
Other financial assets	455,346	453,365
Long-term notes and accounts receivable	8,463,807	4,082,784
	<u>\$ 237,847,479</u>	<u>\$ 186,431,384</u>
Hedging financial assets	<u>\$ 504,827</u>	<u>\$ -</u>

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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ 83,933,343	\$ 57,098,277
Short-term notes and bills payable	104,986,596	96,914,188
Notes payable	762,215	685,111
Accounts payable (including related parties)	514,386	313,806
Other payables	3,165,332	2,960,046
Bonds payable	22,200,000	12,200,000
Long-term loans (including current portion)	262,723	132,902
Guarantee deposits received	4,499,206	3,965,201
Financial guarantee liabilities	39,598	53,707
	<u>\$ 220,363,399</u>	<u>\$ 174,323,238</u>
Lease liabilities	<u>\$ 370,679</u>	<u>\$ 362,824</u>
Hedging financial liabilities	<u>\$ 586,800</u>	<u>\$ 578,276</u>

### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as 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.



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- 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:

	December 31, 2022			December 31, 2021		
	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 liabilities</u>						
<u>Monetary items</u>						
USD:RMB	USD	-	6.9575 \$	-	USD	4,800 6.3739 \$ 132,902

- 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 years ended December 31, 2022 and 2021, amounted to (\$3,606) and \$19,840, 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:

	December 31, 2022			December 31, 2021		
	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:RMB	1%	\$ -	\$ -	1%	\$ 1,329	\$ -

### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 would have increased/decreased by \$3,000 and, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

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### 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 years ended December 31, 2022 and 2021 would have increased/decreased by \$395,073 and \$10,106, 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 December 31, 2022 and 2021, the outstanding amount of the customers' mortgaged loans with the banks were \$3,779,139 and \$5,211,354, respectively; and the amount of notes receivable received by the Group from the customers were \$71,213 and

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\$90,436, respectively. The Group assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience and recognizes financial guarantee expense which is shown as 'Financial guarantee liabilities'.

- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
- vi. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
The default occurs if the contract payments were past due over 30 days based on the terms.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments; and
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- viii. The Group classifies customers' installment accounts and notes receivable and lease payments and notes receivable in accordance with situation of default. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- ix. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- x. The Group used historical expense and the forward-looking information, such as forecastability of future economic environment to assess the default possibility of installment accounts and notes receivable, lease payments and notes receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

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<u>December 31,2022</u>	<u>Not past due</u>	<u>31 to 60 days past due</u>	<u>61 to 90 days past due</u>	<u>91 to 120 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
		<u>121 to 150 days past due</u>	<u>Over 150 days</u>	<u>Total</u>
Total book value		\$ 305,658	\$ 490,612	\$ 270,957,061
Loss allowance		\$ 279,151	\$ 482,267	\$ 4,708,884
<u>December 31,2021</u>	<u>Not past due</u>	<u>31 to 60 days past due</u>	<u>61 to 90 days past due</u>	<u>91 to 120 days past due</u>
Total book value	\$ 208,270,199	\$ 471,249	\$ 253,201	\$ 187,611
Loss allowance	\$ 2,646,064	\$ 211,861	\$ 186,550	\$ 158,100
		<u>121 to 150 days past due</u>	<u>Over 150 days</u>	<u>Total</u>
Total book value		\$ 127,510	\$ 410,656	\$ 209,720,426
Loss allowance		\$ 116,987	\$ 402,644	\$ 3,722,206

- 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>Year ended December 31, 2022</u>
	<u>Receivables</u>
At January 1	\$ 3,722,206
Provision for impairment	2,663,549
Write-offs	( 1,699,792)
Effect of foreign exchange	22,921
At December 31	\$ 4,708,884
	<u>Year ended December 31, 2021</u>
	<u>Receivables</u>
At January 1	\$ 3,370,433
Provision for impairment	1,703,698
Write-offs	( 1,343,121)
Effect of foreign exchange	( 8,804)
At December 31	\$ 3,722,206

For the years ended December 31, 2022 and 2021, gains on reversal of bad debts amounted to \$821,467 and \$592,839, respectively, and recognized as deduction on expected credit impairment loss.

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### (c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. As of December 31, 2022 and 2021, the Group's unused credit line amounted to \$96,719,826 and \$72,427,762, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<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 (including current portion)	15,948	14,429	248,401
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 174,433	\$ 412,367	\$ -

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<u>December 31, 2021</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	\$ 46,788,450	\$ 3,235,302	\$ 7,582,358
Short-term notes and bills payable	77,384,122	16,844,594	3,000,976
Notes payable	685,111	-	-
Accounts payable (including related parties)	313,806	-	-
Other payables	2,970,351	-	-
Bonds payable	77,900	77,900	12,334,873
Lease liabilities	141,454	89,067	141,912
Long-term loans (including current portion)	1,872	1,872	134,852
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ -	\$ 156,206	\$ 422,070

### (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 December 31, 2022 and 2021 is as follows:

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

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<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- 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
	<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	\$ -	\$ 586,800	\$ -	\$ 586,800
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ -	\$ -	\$ 3,357	\$ 3,357
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	\$ -	\$ 578,276	\$ -	\$ 578,276

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

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

Market quoted price	<u>Open-end fund</u> Net asset value
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- ii. The fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

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- 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 years ended December 31, 2022 and 2021, 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 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 December 31, 2021	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative - equity instrument:					
Unlisted shares	\$ 3,357	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) Other matter

The Covid-19 outbreak and the various government epidemic prevention measures implemented did not affect the Group's operations.



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

<u>December 31, 2022</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,382,775	\$ 2,382,775	\$ -
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	-

## VI. Finance Overview

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

### 13. SUPPLEMENTARY DISCLOSURES

The information of significant transactions for the year ended December 31, 2022 is as follows:

#### (1) Significant transactions information

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

## VI. Finance Overview

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

As of December 31, 2022, derivative financial instruments that are not yet matured are as follows:

Name of company holding the derivative financial instrument	Derivative financial Instrument	Contract amount (In thousands)	Expiry date	Book value	Fair value
Hotai Finance Co., Ltd.	Cross-currency swap	JPY 58,800,000	2023/8/7~ 2024/9/9	(\$ 404,589)	(\$404,589)
Hotai Finance Co., Ltd.	Cross-currency swap	EUR 75,000	2024/9/12	\$ 159,690	\$159,690
Hoyun International Leasing Co., Ltd.	Cross-currency swap	USD 64,250	2024/8/30~ 2025/1/13	\$ 158,367	\$158,367
Hoyun(Shanghai) Commercial Factoring	Cross-currency swap	USD 4,800	2024/10/18	\$ 4,559	\$ 4,559

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

### (2) Information on investees

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

### (3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

(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 8.

## 14. SEGMENT INFORMATION

### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group considers the business from geographical perspective, and the reportable operating segments are as follows:

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

B. China: leasing of various vehicles and equipment.

## VI. Finance Overview

### (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	Year ended December 31, 2022			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 15,313,813	\$ 52,176	\$ -	\$ 15,365,989
Revenue from rental business	3,799,370	3,602,666	-	7,402,036
Revenue from other business	19,225	-	-	19,225
Inter-segment revenue	-	-	-	-
Total segment revenue	\$ 19,132,408	\$ 3,654,842	\$ -	\$ 22,787,250
Segment income	\$ 4,613,244	\$ 1,189,879	(\$ 446,605)	\$ 5,356,518
Depreciation and amortisation	\$ 938,752	\$ 496,607	\$ -	\$ 1,435,359
Expense of income tax	\$ 981,423	\$ 305,511	\$ -	\$ 1,286,934
Segment assets	\$ 228,448,119	\$ 29,680,869	(\$ 2,763,900)	\$ 255,365,088
Segment liabilities	\$ 198,263,032	\$ 24,209,042	\$ -	\$ 222,472,074
Items	Year ended December 31, 2021			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 11,576,181	\$ 55,609	\$ -	\$ 11,631,790
Revenue from rental business	3,083,624	3,241,059	-	6,324,683
Revenue from other business	1,475	-	-	1,475
Inter-segment revenue	-	-	-	-
Total segment revenue	\$ 14,661,280	\$ 3,296,668	\$ -	\$ 17,957,948
Segment income	\$ 3,964,123	\$ 1,097,464	(\$ 397,978)	\$ 4,663,609
Depreciation and amortisation	\$ 872,097	\$ 466,128	\$ -	\$ 1,338,225
Expense of income tax	\$ 824,028	\$ 309,389	\$ -	\$ 1,133,417
Segment assets	\$ 179,312,802	\$ 24,537,280	(\$ 2,290,886)	\$ 201,559,196
Segment liabilities	\$ 156,063,402	\$ 20,002,115	\$ -	\$ 176,065,517

## VI. Finance Overview

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(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.

(5) Information on products and services

Details of revenue is as follows:

	Years ended December 31,	
	2022	2021
Sales revenue	\$ 891,141	\$ 1,088,021
Interest revenue	13,561,273	10,047,326
Finance leasing revenue	2,722,938	2,327,949
Operating leasing revenue	4,297,082	3,344,522
Service revenue	1,295,591	1,148,655
Others revenue	19,225	1,475
	<u>\$ 22,787,250</u>	<u>\$ 17,957,948</u>

(6) Geographical information

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

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 19,132,408	\$ 15,285,853	\$ 14,661,280	\$ 9,810,986
China	3,654,842	2,444,393	3,296,668	2,220,288
Total	<u>\$ 22,787,250</u>	<u>\$ 17,730,246</u>	<u>\$ 17,957,948</u>	<u>\$ 12,031,274</u>

(7) Major customer information

For the years ended December 31, 2022 and 2021, none of the revenue from major customers is greater than 10% of the entity's revenue.

## VI. Finance Overview

Hotai Finance Co., Ltd.

Loans to others

Year ended December 31, 2022

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	1.277%	Short-term financing	-	Operational needs	-	None	\$ -	\$ 2,948,130	\$ 5,896,260	Note 1
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Other receivables	Y	2,000,000	2,000,000	-	1.477%	Short-term financing	-	Operational needs	-	None	-	2,948,130	5,896,260	Note 1
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Other receivables	Y	225,465	-	-	4.10%	Short-term financing	-	Operational needs	-	None	-	5,471,827	10,943,654	Note 2
2	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Other receivables	Y	30,000	30,000	30,000	2.06%	Short-term financing	-	Operational needs	-	None	-	97,122	194,244	Note 3
2	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Other receivables	Y	40,000	40,000	40,000	2.06%	Short-term financing	-	Operational needs	-	None	-	97,122	194,244	Note 3
2	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Other receivables	Y	30,000	30,000	30,000	2.06%	Short-term financing	-	Operational needs	-	None	-	97,122	194,244	Note 3
3	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	20,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	23,400	92,725	185,450	Note 4
3	He Jing Co., Ltd.	B	Accounts receivable	N	30,000	30,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	36,000	92,725	185,450	Note 4

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 is 20% of net worth and limit on loans granted to a single party is 10% of net worth .

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

## VI. Finance Overview

Table 2

Hotai Finance Co., Ltd.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed  Company name	Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	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
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Subsidiary	\$ 29,481,299	\$ 10,500,000	\$ 10,500,000	\$ 7,200,000	\$ -	35.62%	\$ 29,481,299	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	29,481,299	2,000,000	2,000,000	-	-	6.78%	29,481,299	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Subsidiary of a subsidiary	29,481,299	2,254,647	2,206,971	1,069,855	-	7.49%	29,481,299	Y	N	Y	Note 2
0	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary of a subsidiary	29,481,299	515,934	506,665	384,625	-	1.72%	29,481,299	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.

## VI. Finance Overview

Hotai Finance Co., Ltd.

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

Table 3

December 31, 2022

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	\$ 3,416	0.50%	\$ 3,416	
Hotai Finance Co., Ltd.	Ho Chuang Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	103	0.50%	103	
He Jing Co., Ltd.	Beneficiary certificate-Taishin 1699 Money Market Fund	Not applicable	Investments in equity instruments designated at fair value through profit or loss-current	21,794,089	300,000	-	300,000	



## VI. Finance Overview

### 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

Year ended December 31, 2022

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, 2022		Additions		Disposal			Balance as at December 31, 2022		Footnote		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Investments accounted for using the equity method	He Jun Energy Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	Note
Hotai Finance Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	107,163,492	1,700,000	107,163,492	1,700,315	1,700,000	315	-	-	-	-
Hotai Finance Co., Ltd.	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	327,937,006	4,500,000	327,937,006	4,501,577	4,500,000	1,577	-	-	-	-
Hotai Finance Co., Ltd.	FSITC Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	116,031,997	1,800,000	116,031,997	1,800,310	1,800,000	310	-	-	-	-
Hotai Finance Co., Ltd.	Taishin Ta Chong Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	34,704,147	500,000	34,704,147	500,108	500,000	108	-	-	-	-
Hotai Finance Co., Ltd.	Hua Nan Kirin Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	246,937,969	3,000,000	246,937,969	3,000,445	3,000,000	445	-	-	-	-
He Jing Co., Ltd.	Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	18,178,788	300,000	18,178,788	300,106	300,000	106	-	-	-	-
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	69,064,445	950,000	47,270,356	650,260	650,000	260	21,794,089	300,000	-	-

Note: Please refer to table 6 for relevant information.

## VI. Finance Overview

Hotai Finance Co., Ltd.  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	1	Property, plant and equipment and other non- current assets	\$ 138,002	Based on the contracts	0.05%
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	1	Revenue from administrative service fee and other income	18,537	Based on the contracts	0.08%
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	1	Revenue from administrative service fee	42,074	Based on the contracts	0.18%
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	3	Rental revenue	25,577	Based on the contracts	0.11%
1	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%
1	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	3	Other receivables	40,000	Note 5	0.02%
1	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%

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

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

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

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

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

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

Note 5: Result of receivable on loan financing.

## VI. Finance Overview

Table 6

Hotai Finance Co., Ltd.  
Information on investees  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the Year ended December 31, 2022	Investment income (loss) recognised by the Company for the Year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	\$ 1,240,684	\$ 1,240,684	40,400,000	50.50	\$ 2,763,900	\$ 884,368	\$ 446,605	Subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of passenger car	310,000	310,000	31,000,000	50.82	342,634	52,515	26,688	Subsidiary
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Taiwan	Installment sales of various vehicles	810,000	810,000	81,000,000	81.00	751,075	( 60,947)	( 49,367)	Subsidiary
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar energy business	800,000	-	80,000,000	80.00	776,980	( 28,775)	( 23,020)	Subsidiary
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taiwan	Taxi dispatch service	120,000	120,000	12,000,000	27.40	91,148	( 43,801)	( 12,000)	Associate
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Taiwan	Energy storage business	22,000	-	2,200,000	100.00	21,539	( 461)	( 461)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Zheng-Ren Energy Co., Ltd.	Taiwan	Solar energy business	31,850	-	3,185,000	35.00	24,354	( 21,507)	( 7,496)	Associate
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Taiwan	Solar energy business	9,781	-	900,000	90.00	9,625	1,212	156	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar energy business	116	-	9,000	90.00	106	453	( 10)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Taiwan	Solar energy business	1,066	-	9,000	90.00	718	522	( 348)	Subsidiary of a subsidiary

## VI. Finance Overview

Hotai Finance Co., Ltd.  
Information on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the Year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the Year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	Remitted to Mainland China								
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	\$ 2,456,800	Note 1(2)	\$ 1,240,684	\$ -	\$ -	\$ 1,240,684	\$ 884,368	50.50	\$ 446,605	\$ 2,763,900	\$ -	Note 2(2) B.	
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	220,697	Note 1(3)	-	-	-	-	18,311	50.50	9,247	135,979	-	Note 2(2) B.	
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	662,091	Note 1(3)	-	-	-	-	35,200	50.50	17,776	293,493	-	Note 2(2) B.	
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	441	Note 1(3)	-	-	-	-	-	50.50	-	3,266	-	Note 2(2) B.	
Hangzhou Wangyou Technology Co., Ltd.	Leasing business	441	Note 1(3)	-	-	-	-	-	50.50	-	947	-	Note 2(2) B.	
Homei Consulting (Suzhou) Company Limited	Consulting service	441	Note 1(3)	-	-	-	-	-	50.50	-	223	-	Note 2(2) B.	

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 Year ended December 31, 2022' 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 December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA

## VI. Finance Overview

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Hotai Finance Co., Ltd.  
Major shareholders information  
December 31, 2022

Table 8

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

Note: Excluding preferred stock.

## VI. Finance Overview

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### 6.5 Parent Company Only Financial Statements of the Most Recent Year

#### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

#### ***Opinion***

We have audited the accompanying parent company only balance sheets of Hotai Finance Company Limited (the “Company”) as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other matter section of the report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### ***Basis for opinion***

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

#### ***Key audit matters***

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

Key audit matters for the Company's 2022 parent company only financial statements are as follows:

### ***Evaluation of provision for impairment of accounts receivable***

#### Description

Please refer to Note 4(8) to the parent company only financial statements for accounting policy on provision for impairment of accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions, and Note 6(3) for details of accounts receivable.

The Company's primary business is providing installment sales and leases of vehicles and lease services. In the supply chain of motor vehicles, the role of the Company is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collections of accounts receivable and manages overdue accounts.

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

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

#### How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report system.
2. For those accounts past due over 30 days, the Company will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and the Company's policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past years, and the forward-looking information, to evaluate the reasonableness of the provision for impairment policy. In addition, we sampled and examined the group category of expected credit losses report, and checked the consistency with system information.

3. Examined and evaluated samples of the categorized group report of the loss of expected credit and compared it with the system information.

### ***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements and the information on the investee disclosed in Note 13 is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$31,988 thousand, constituting 0.02% of the total assets as at December 31, 2022, and the comprehensive income amounted to NT(\$975) thousand, constituting (0.03%) of the total comprehensive income for the year then ended.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the parent company only financial statements***

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



## VI. Finance Overview

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

## VI. Finance Overview

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matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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Wang, Fang-Yu

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Hsiao, Chun-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2023

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The accompanying parent company only 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 parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

## VI. Finance Overview

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 969,999	1	\$ 250,551	-
1139	Hedging financial assets-current	6(2)	341,901	-	-	-
1150	Notes receivable, net	6(3) and 8	7,120,910	3	8,333,584	5
1170	Accounts receivable, net	6(3) and 7	186,862,870	88	153,137,044	88
1200	Other receivables		8,823	-	7,821	-
130X	Inventories		4,181	-	1,207	-
1410	Prepayments	6(4)	2,898,499	1	3,713,853	2
1476	Other current financial assets	8	150,400	-	120,600	-
11XX	<b>Current Assets</b>		<u>198,357,583</u>	<u>93</u>	<u>165,564,660</u>	<u>95</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income		3,519	-	3,357	-
1550	Investments accounted for using equity method	6(5)	4,725,737	2	3,510,422	2
1600	Property, plant and equipment	6(6)	1,198,335	1	1,230,257	1
1755	Right-of-use assets	6(7)	65,797	-	95,033	-
1760	Investment property, net	6(9)	445,060	-	-	-
1840	Deferred income tax assets	6(25)	240,565	-	171,257	-
1930	Long-term notes and accounts receivable	6(3)	7,271,134	4	4,059,799	2
1990	Other non-current assets, others		56,274	-	228,431	-
15XX	<b>Non-current assets</b>		<u>14,006,421</u>	<u>7</u>	<u>9,298,556</u>	<u>5</u>
1XXX	<b>Total assets</b>		<u>\$ 212,364,004</u>	<u>100</u>	<u>\$ 174,863,216</u>	<u>100</u>

(Continued)

## VI. Finance Overview

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 55,296,335	26	\$ 39,222,520	23
2110	Short-term notes and bills payable	6(11)	100,961,765	48	96,914,188	56
2126	Hedging financial liabilities-current	6(2)	586,800	-	578,276	-
2150	Notes payable		16,406	-	28,497	-
2170	Accounts payable		126,676	-	79,285	-
2180	Accounts payable - related parties	7	157,958	-	198,879	-
2200	Other payables	6(12) and 7	1,947,935	1	1,693,883	1
2230	Current income tax liabilities		602,572	-	465,359	-
2280	Current lease liabilities	7	23,791	-	29,192	-
2320	Bonds payable	6(13)	22,200,000	11	12,200,000	7
2370	Current financial guarantee liabilities		39,598	-	53,707	-
2399	Guarantee deposits received-current		515,285	-	343,745	-
21XX	<b>Current Liabilities</b>		<u>182,475,121</u>	<u>86</u>	<u>151,807,531</u>	<u>87</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(25)	360,686	-	227,252	-
2580	Lease liabilities-non-current	7	43,195	-	67,762	-
2645	Guarantee deposits received-non-current		3,703	-	5,407	-
25XX	<b>Non-current liabilities</b>		<u>407,584</u>	<u>-</u>	<u>300,421</u>	<u>-</u>
2XXX	<b>Total Liabilities</b>		<u>182,882,705</u>	<u>86</u>	<u>152,107,952</u>	<u>87</u>
<b>Equity</b>						
Share capital 6(16)						
3110	Common stock		5,150,004	3	5,150,004	3
3120	Preference stock		500,000	-	-	-
Capital surplus 6(17)						
3200	Capital surplus		12,510,367	6	8,000,217	5
Retained earnings 6(18)						
3310	Legal reserve		2,083,531	1	1,769,387	1
3320	Special reserve		157,171	-	75,482	-
3350	Unappropriated retained earnings		8,981,897	4	7,917,345	4
Other equity interest						
3400	Other equity interest		98,329	-	(157,171)	-
3XXX	<b>Total equity</b>		<u>29,481,299</u>	<u>14</u>	<u>22,755,264</u>	<u>13</u>
Significant contingent liabilities and unrecognized contract commitments 9						
Significant events after the balance sheet date 11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 212,364,004</u>	<u>100</u>	<u>\$ 174,863,216</u>	<u>100</u>

## VI. Finance Overview

		Year ended December 31					
		2022		2021			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(19) and 7	\$ 15,235,369	100	\$ 11,785,227	100	
5000	Operating costs	6(20)	( 3,822,962)	( 25)	( 2,347,034)	( 20)	
5950	Gross profit		<u>11,412,407</u>	<u>75</u>	<u>9,438,193</u>	<u>80</u>	
	Operating expenses	6(23)(24) and 7					
6100	Selling expenses		( 4,756,459)	( 31)	( 3,876,607)	( 33)	
6200	General and administrative expenses		( 1,030,414)	( 7)	( 991,312)	( 8)	
6450	Expected credit losses		( 1,482,516)	( 10)	( 1,025,374)	( 9)	
6000	Total operating expenses		<u>( 7,269,389)</u>	<u>( 48)</u>	<u>( 5,893,293)</u>	<u>( 50)</u>	
6900	Operating profit		<u>4,143,018</u>	<u>27</u>	<u>3,544,900</u>	<u>30</u>	
	Non-operating income and expenses						
7100	Interest income	6(21)	6,903	-	77	-	
7010	Other income	6(22)	63,244	-	51,083	1	
7020	Other gains and losses		( 2)	-	( 145)	-	
7050	Finance costs	6(7)	( 569)	-	( 815)	-	
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)					
			<u>388,906</u>	<u>3</u>	<u>371,093</u>	<u>3</u>	
7000	Total non-operating income and expenses		<u>458,482</u>	<u>3</u>	<u>421,293</u>	<u>4</u>	
7900	<b>Profit before income tax</b>		<u>4,601,500</u>	<u>30</u>	<u>3,966,193</u>	<u>34</u>	
7950	Income tax expense	6(25)	( 978,113)	( 6)	( 824,750)	( 7)	
8200	<b>Profit for the year</b>		<u>\$ 3,623,387</u>	<u>24</u>	<u>\$ 3,141,443</u>	<u>27</u>	
	<b>Other comprehensive income</b>						
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>						
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		\$ 162	-	\$ 245	-	
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		<u>162</u>	<u>-</u>	<u>245</u>	<u>-</u>	
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361	Financial statement translation differences of foreign operations		36,406	-	( 10,792)	-	
8368	Gains (losses) on hedging instrument	6(2)	286,161	2	( 91,188)	( 1)	
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		( 9,997)	-	1,808	-	
8399	Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss	6(25)	( 57,232)	( 1)	18,238	-	
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>255,338</u>	<u>1</u>	<u>( 81,934)</u>	<u>( 1)</u>	
8300	<b>Other comprehensive income (loss) for the year</b>		<u>\$ 255,500</u>	<u>1</u>	<u>( \$ 81,689)</u>	<u>( 1)</u>	
8500	<b>Total comprehensive income for the year</b>		<u>\$ 3,878,887</u>	<u>25</u>	<u>\$ 3,059,754</u>	<u>26</u>	
	Basic earnings per share	6(26)					
9750	Basic earnings per share		\$ 7.04		\$ 6.10		
	Diluted earnings per share	6(26)					
9850	Diluted earnings per share		\$ 7.03		\$ 6.09		

## VI. Finance Overview

### Year ended December 31, 2021

Balance at January 1, 2021	\$ 5,150,004	\$ -	\$ 7,996,585	\$ 1,510,832	\$ 116,319	\$ 6,796,121	(\$ 96,897)	\$ 2,749	\$ 18,666	\$ 21,494,379
Profit for the year	-	-	-	-	-	3,141,443	-	-	-	3,141,443
Other comprehensive income (loss) for the year	-	-	-	-	-	-	( 10,792)	245	( 71,142)	( 81,689)
Total comprehensive income (loss) for the year	-	-	-	-	-	3,141,443	( 10,792)	245	( 71,142)	3,059,754
Appropriation and distribution of										
Legal reserve	6(18)	-	-	258,555	-	( 258,555)	-	-	-	-
Special reserve	6(18)	-	-	-	( 40,837)	40,837	-	-	-	-
Cash dividends	6(18)	-	-	-	-	( 1,802,501)	-	-	-	( 1,802,501)
Changes in equity of associates and joint ventures accounted for using equity method	6(5)	-	-	3,632	-	-	-	-	-	3,632
Balance at December 31, 2021	\$ 5,150,004	\$ -	\$ 8,000,217	\$ 1,769,387	\$ 75,482	\$ 7,917,345	(\$ 107,689)	\$ 2,994	(\$ 52,476)	\$ 22,755,264

### Year ended December 31, 2022

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
Profit for the year	-	-	-	-	-	3,623,387	-	-	-	3,623,387
Other comprehensive income for the year	-	-	-	-	-	-	36,406	162	218,932	255,500
Total comprehensive income for the year	-	-	-	-	-	3,623,387	36,406	162	218,932	3,878,887
Appropriation and distribution of										
Legal reserve	6(18)	-	-	314,144	-	( 314,144)	-	-	-	-
Special reserve	6(18)	-	-	-	81,689	( 81,689)	-	-	-	-
Cash dividends	6(18)	-	-	-	-	( 2,163,002)	-	-	-	( 2,163,002)
Issuance of preference stock	6(16)	-	500,000	4,500,000	-	-	-	-	-	5,000,000
Compensation cost of share-based payments	6(15)	-	-	10,150	-	-	-	-	-	10,150
Balance at December 31, 2022	\$ 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

## VI. Finance Overview

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax		\$	4,601,500	\$	3,966,193
Adjustments					
Adjustments to reconcile net profit to net cash used in operating activities					
Expected credit losses and financial guarantee			2,311,719		1,656,329
Net gain on financial assets at fair value through profit and loss	(		2,848)		-
Net losses on disposals of property, plant and equipment			-		145
Depreciation	6(23)		196,821		227,608
Reversal of impairment loss recognized on leased assets	6(6)	(	4,236)	(	8,533)
Share of profit of subsidiaries, associates, and joint ventures accounted for using equity method	6(5)				
Interest expense		(	388,906)	(	371,093)
Interest income	6(7)(20)		1,652,135		784,472
Dividend income	6(19)(21)	(	13,331,566)	(	10,021,396)
Profit from lease modification		(	911)	(	918)
Share-based payments	6(7)	(	758)		-
Share-based payments	6(15)		10,150		-
Changes in operating assets and liabilities relating to operating activities					
Changes in operating assets					
Financial assets at fair value through profit or loss			2,848		-
Notes and accounts receivable	(		38,036,206)	(	37,093,213)
Inventories			7,005		12,851
Prepayments			815,354		265,050
Other receivables			2,974		2,906
Other financial assets	(		29,800)		3,600
Changes in operating liabilities					
Notes payable	(		12,091)		1,020
Accounts payable			47,391		3,456
Accounts payable - related parties	(		40,921)		38,279
Other payables			126,870		323,592
Current financial guarantee liabilities	(		14,109)	(	16,221)
Other current liabilities, others			-	(	8)
Cash outflow generated from operations	(		42,087,585)	(	40,225,881)
Cash dividends received			911		918
Interest received			13,327,590		10,034,924
Interest paid	(		1,560,776)	(	854,156)
Income tax paid	(		834,006)	(	692,141)
Net cash flows used in operating activities	(		31,153,866)	(	31,736,336)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Acquisition of investment accounted for using equity method	6(5)	(	800,000)	(	810,000)
Acquisition of property, plant and equipment	6(6)	(	685,602)	(	849,215)
Proceeds from disposal of property, plant and equipment	6(6)		95,006		-
Decrease (increase) in other non-current assets, others			172,157	(	215,682)
Net cash flows used in investing activities	(		1,218,439)	(	1,874,897)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Increase in short-term loans	6(27)		16,026,599		11,170,000
Repayments of principal portion of lease liabilities	6(27)	(	25,080)	(	30,095)
Increase in short-term notes and bills payable	6(27)		4,083,400		21,480,000
Proceeds from issuance of bonds payable	6(13)(27)		10,000,000		5,200,000
Repayments of bonds payable	6(13)(27)	(	-)	(	2,400,000)
Increase in guarantee deposits received	6(27)		169,836		108,965
Cash dividends paid	6(18)(27)	(	2,163,002)	(	1,802,501)
Proceeds from issuance of preference stock	6(16)		5,000,000		-
Net cash flows from financing activities			33,091,753		33,726,369
Net increase in cash and cash equivalents			719,448		115,136
Cash and cash equivalents at beginning of year			250,551		135,415
Cash and cash equivalents at end of year		\$	969,999	\$	250,551

## VI. Finance Overview

### HOTAI FINANCE CO., LTD.

#### NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

#### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

#### 1. HISTORY AND ORGANIZATION

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

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

These financial statements were authorized for issuance by the Board of Directors on March 9, 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 and revised standards, interpretations and amendments that came into effect as endorsed by the FSC and became effective from 2022 are as follows:

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

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

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

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023



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<u>New and Revised Standards, Interpretations and Amendments</u>	Effective date issued by International Accounting Standards Board
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 Company's financial condition and financial performance based on the Company's assessment.

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Compliance statement

These financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### (2) Basis of preparation

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

(a) Financial assets and financial liabilities (including hedging financial assets and liabilities) at fair value through profit or loss.

(b) 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

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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 Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

### (3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in New Taiwan dollars, which is the Company’s functional 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. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

#### B. Translation of foreign operations

The operating results and financial position of all the company 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.

### (4) Classification of current and non-current items

The Company is engaged in installment sales, and the operating cycle usually exceeds 1 year. The Company 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.

### (5) 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

### (6) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

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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 Company and the amount of the dividend can be measured reliably.

### (7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

### (8) Impairment of financial assets

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

### (9) Derecognition of financial assets

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

### (10) 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) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

### (11) Investments accounted for using equity method

- A. Subsidiaries are all entities (including special purpose entities) over which the Company has control over their financials and operating policies. In general, it is presumed that the parent has the power to govern the financials and operating policies, if a parent holds, directly or indirectly, more than half of the voting power of an entity. Investments in subsidiaries are accounted for using equity method in these financial statements.

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- B. Unrealized gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' 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 Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- E. Associates are all entities over which the Company 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.
- F. The Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. 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 Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate or in 'capital surplus' in proportion to its ownership.
- H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- I. When the Company disposes its investment in an associate, if it 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 still retains significant influence over this associate, then 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.
- J. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers,

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profit (loss) of the current period and other comprehensive income in the financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

### (12) 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	15 ~ 50 years
Furniture and fixtures (office equipment)	3 ~ 5 years
Rental assets	1 ~ 5 years
Leasehold improvements	5 ~ 10 years

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

- A. Leases are recognised 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 Company. For short-term leases or leases of low-value assets, lease payments are recognised 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 Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there

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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 recognised 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.

### (14) 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.

### (15) Impairment of non-financial assets

The Company 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.

### (16) 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.

### (17) 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.

### (18) Derecognition of financial liabilities

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

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### (19) Bonds payable

Ordinary corporate bonds issued by the Company 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'.

### (20) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company 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. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. At initial recognition, the Company 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.

### (21) Hedge activities

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Company'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 Company will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Company 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 Company shall remove that amount from the cash flow hedge



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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 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 Company 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.

### (22) Employee benefits

#### A. Short-term employee benefits

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

#### B. Pensions

##### Defined contribution plans

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

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment.

#### 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. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

### (23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are

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

### (24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company 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.

### (25) 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

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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.

### (26) Dividends

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

### (27) 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 Company has objective evidence that all criteria for acceptance have been satisfied.

#### B Interest income

The Company accrues interest income from installment sales. No gross profit is recognized from transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when transactions occur. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, which interest is recognized using interest method annually over the installment period.

#### C. Rental revenue

Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards of the leased asset. Otherwise a lease is classified as an operating lease. The lessor records the payments arising from the finance lease as 'lease receivables'.

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

#### D. Service revenue

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

The debt is transferred from the loan owners to the Company once the borrowers default on loans. The Company pursues the defaulting borrowers for outstanding payments. Please refer Note 4(10) for the information of financial guarantee contracts.

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

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

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

None.

#### (2) Critical accounting estimates and assumptions

Evaluation of allowance for doubtful accounts

For the Company, the provision for allowance for impairment of notes and accounts receivable is provided by the probability of impairment depending on the length of overdue days and consider 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 is \$ 201,254,914 as of December 31, 2022.

### 6. DETAILS OF SIGNIFICANT ACCOUNTS

#### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 1,812	\$ 1,708
Checking accounts and demand deposits	968,187	248,843
	<u>\$ 969,999</u>	<u>\$ 250,551</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of December 31, 2022 and 2021, cash and cash equivalents pledged to others as collateral amounting to \$151,200 and \$121,200, respectively, were classified as other current financial assets and other non-current assets, others.



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Hedged items	December 31, 2022	
	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	\$ 16,555,200	(\$ 465,465)
	December 31, 2021	
Hedged items	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Cash flow hedges		
<u>Exchange rate risk and interest rate risk</u>		
Short-term loans	\$ 8,635,200	(\$ 512,680)

### C. Cash flow hedges

	Year ended December 31, 2022	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	(\$	52,476)
Add: Gains on hedge effectiveness-amount recognised in other comprehensive income		316,168
Less: Reclassified to profit or loss as the hedged item has affected profit and loss	(	30,007)
Less: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	(	57,232)
At December 31	\$	<u>176,453</u>
	Year ended December 31, 2021	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	\$	20,474
Less: Losses on hedge effectiveness-amount recognised in other comprehensive income	(	94,658)
Add: Reclassified to profit or loss as the hedged item has affected profit and loss		3,470
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income		18,238
At December 31	(\$	<u>52,476)</u>

To hedge exposed exchange rate risk and interest rate risk arising from short-term loans, the Company 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 interest costs when the hedged items are subsequently paid the principal or interest.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Installment notes receivable	\$ 7,054,693	\$ 8,242,171
Installment accounts receivable	224,471,995	178,411,859
Lease payments and notes receivable	<u>143,619</u>	<u>262,970</u>
	231,670,307	186,917,000
Less: Unrealized interest revenue	( 27,317,354)	( 19,073,492)
Unearned finance income	( 4,920)	( 10,269)
Allowance for doubtful accounts	( 3,093,119)	( 2,302,812)
Notes and accounts receivable, net	<u>\$ 201,254,914</u>	<u>\$ 165,530,427</u>

As of December 31, 2022 and 2021, notes receivable pledged as collaterals for loans and commercial papers to banks amounted to \$3,943,320 and \$5,349,850, respectively.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 230,088,653	\$ 185,890,762
31 to 60 days	588,338	418,658
61 to 90 days	316,791	221,805
91 to 120 days	234,177	147,496
121 to 150 days	241,171	103,195
Over 150 days	<u>201,177</u>	<u>135,084</u>
	<u>\$ 231,670,307</u>	<u>\$ 186,917,000</u>

The above ageing analysis was based on past due date.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not later than one year	\$ 76,516,866	\$ 63,298,812
Over 1 year	<u>155,009,822</u>	<u>123,355,218</u>
	<u>\$ 231,526,688</u>	<u>\$ 186,654,030</u>

C. Lease payments receivable

Please refer to Note 6(8).

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

## VI. Finance Overview

### (4) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepaid commission	\$ 2,753,821	\$ 3,218,324
Prepayments	75,289	471,480
Others	69,389	24,049
	<u>\$ 2,898,499</u>	<u>\$ 3,713,853</u>

### (5) Investments accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Hoyun International Limited	\$ 2,763,900	\$ 2,290,886
Hoing Mobility Service Corporation	342,634	315,946
He Jing Co., Ltd.	751,075	800,442
He Jun Energy Co., Ltd.	776,980	-
Associates:		
Hotai Mobility Service Co., Ltd.	91,148	103,148
	<u>\$ 4,725,737</u>	<u>\$ 3,510,422</u>

- A. For the information of the Company's subsidiaries, please refer to Note 4(3) in the Company's consolidated financial statements as of and for the year ended December 31, 2022.
- B. The above investments do not have quoted market prices. The share of investment income (loss) recognized for investments accounted for using equity method amounting to \$388,906 and \$371,093 for the years ended December 31, 2022 and 2021, respectively, and were recognized based on financial statements audited by other independent auditors.
- C. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarized below:  
As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$91,148 and \$103,148, respectively.

	<u>2022</u>	<u>2021</u>
Comprehensive loss for the year	(\$ 12,000)	(\$ 18,251)

- D. The Company invested \$800,000 in cash to establish He Jun Energy Co., Ltd. in February 2022 and acquired 80% shares of the investee.
- E. The Company invested \$810,000 in cash to establish He Jing Co., Ltd. in October 2021 and acquired 81% shares of the investee.
- F. In April 2021, the Company did not participate in the cash capital increase raised by Hotai Mobility Service Co., Ltd. proportionally to its interest. As a result, the shareholding ratio decreased to 27.4% from 40%. Changes in capital surplus incurred amounted to \$3,632.



## VI. Finance Overview

### (6) Property, plant and equipment

	2022						Total
	Land	Buildings and structures	Furniture and fixtures (including office equipment) Owner-occupied	Lease (Note)	Subtotal	Leasehold improvements	
At January 1							
Cost	\$701,309	\$ 255,265	\$ 50,233	\$ 629,360	\$ 679,593	\$ 15,578	\$1,651,745
Accumulated depreciation and impairment	-	( 22,919)	( 32,616)	( 354,293)	( 386,909)	( 11,660)	( 421,488)
	<u>\$701,309</u>	<u>\$ 232,346</u>	<u>\$ 17,617</u>	<u>\$ 275,067</u>	<u>\$ 292,684</u>	<u>\$ 3,918</u>	<u>\$1,230,257</u>
Opening net book amount as at January 1	\$701,309	\$ 232,346	\$ 17,617	\$ 275,067	\$ 292,684	\$ 3,918	\$1,230,257
Additions	477,772	60,289	81,948	65,593	147,541	-	685,602
Disposal	-	-	( 95,006)	-	( 95,006)	-	( 95,006)
Reclassifications	( 357,858)	( 90,052)	-	( 9,979)	( 9,979)	-	( 457,889)
Depreciation	-	( 4,827)	( 2,560)	( 159,458)	( 162,018)	( 2,020)	( 168,865)
Gain on reversal of impairment loss	-	-	-	4,236	4,236	-	4,236
Closing net book amount as at December 31	<u>\$821,223</u>	<u>\$ 197,756</u>	<u>\$ 1,999</u>	<u>\$ 175,459</u>	<u>\$ 177,458</u>	<u>\$ 1,898</u>	<u>\$1,198,335</u>
At December 31							
Cost	\$821,223	\$ 213,666	\$ 35,968	\$ 438,116	\$ 474,084	\$ 15,578	\$1,524,551
Accumulated depreciation and impairment	-	( 15,910)	( 33,969)	( 262,657)	( 296,626)	( 13,680)	( 326,216)
	<u>\$821,223</u>	<u>\$ 197,756</u>	<u>\$ 1,999</u>	<u>\$ 175,459</u>	<u>\$ 177,458</u>	<u>\$ 1,898</u>	<u>\$1,198,335</u>

Note: Leased assets are assets for lease purposes. 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.

## VI. Finance Overview

	2021						Total
	Land	Buildings and structures	Furniture and fixtures (including office equipment) Owner-occupied	Lease (Note)	Subtotal	Leasehold improvements	
At January 1							
Cost	\$197,659	\$ 46,213	\$ 35,873	\$ 685,127	\$ 721,000	\$ 25,013	\$ 989,885
Accumulated depreciation and impairment	-	( 17,692)	( 30,643)	( 342,473)	( 373,116)	( 17,597)	( 408,405)
	<u>\$197,659</u>	<u>\$ 28,521</u>	<u>\$ 5,230</u>	<u>\$ 342,654</u>	<u>\$ 347,884</u>	<u>\$ 7,416</u>	<u>\$ 581,480</u>
Opening net book amount as at January 1	\$197,659	\$ 28,521	\$ 5,230	\$ 342,654	\$ 347,884	\$ 7,416	\$ 581,480
Additions	503,650	209,052	14,360	122,153	136,513	-	849,215
Disposal	-	-	-	-	-	( 145)	( 145)
Reclassifications	-	-	-	( 11,616)	( 11,616)	-	( 11,616)
Depreciation	-	( 5,227)	( 1,973)	( 186,657)	( 188,630)	( 3,353)	( 197,210)
Gain on reversal of impairment loss	-	-	-	8,533	8,533	-	8,533
Closing net book amount as at December 31	<u>\$701,309</u>	<u>\$ 232,346</u>	<u>\$ 17,617</u>	<u>\$ 275,067</u>	<u>\$ 292,684</u>	<u>\$ 3,918</u>	<u>\$1,230,257</u>
At December 31							
Cost	\$701,309	\$ 255,265	\$ 50,233	\$ 629,360	\$ 679,593	\$ 15,578	\$1,651,745
Accumulated depreciation and impairment	-	( 22,919)	( 32,616)	( 354,293)	( 386,909)	( 11,660)	( 421,488)
	<u>\$701,309</u>	<u>\$ 232,346</u>	<u>\$ 17,617</u>	<u>\$ 275,067</u>	<u>\$ 292,684</u>	<u>\$ 3,918</u>	<u>\$1,230,257</u>

Note: Leased assets are assets for lease purposes. When the rental 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.

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### (7) Lease transactions-lessee

- A. The Company leases various assets including buildings 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>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and structures	\$ 63,605	\$ 91,745
Machinery and equipment	2,192	3,288
	<u>\$ 65,797</u>	<u>\$ 95,033</u>
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings and structures	\$ 24,010	\$ 29,302
Machinery and equipment	1,096	1,096
	<u>\$ 25,106</u>	<u>\$ 30,398</u>

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$20,487 and \$17,137, respectively.
- D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 569	\$ 815
Expense on short-term lease contracts	3,569	3,472
Profit from lease modification	758	-
Expense on variable lease payments	568	-

- E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$29,786 and \$34,382, respectively.

### (8) Leasing arrangements-lessor

- A. The Company leases various assets including machinery and equipment 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 Company leases machinery and equipment 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:

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	Years ended December 31,	
	2022	2021
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Finance income from the net investment in the finance lease	\$ <u>6,956</u>	\$ <u>10,040</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Next 1 year	\$ 86,449	\$ 143,063
Next 2 years	34,697	77,598
Next 3 years	7,720	30,262
Next 4 years	4,192	3,411
Next 5 years	1,275	-
	<u>\$ 134,333</u>	<u>\$ 254,334</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Undiscounted lease payments	\$ 134,333	\$ 254,334
Unearned finance income	( 4,920)	( 10,269)
Net investment in the lease	<u>\$ 129,413</u>	<u>\$ 244,065</u>

E. For the years ended December 31, 2022 and 2021, the Company recognized rent income in the amounts of \$170,054 and \$201,746, 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>December 31, 2022</u>	<u>December 31, 2021</u>
Next 1 year	\$ 116,563	\$ 159,252
Next 2 years	62,552	83,622
Next 3 years	33,361	34,592
Next 4 years	18,024	17,715
Next 5 years	6,749	4,868
	<u>\$ 237,249</u>	<u>\$ 300,049</u>

## VI. Finance Overview

### (9) Investment property

	2022		
	Land	Buildings and structures	Total
At January 1	\$ -	\$ -	\$ -
Reclassification	357,858	90,052	447,910
Depreciation charge	-	(2,850)	(2,850)
	<u>\$ 357,858</u>	<u>\$ 87,202</u>	<u>\$ 445,060</u>
At December 31			
Cost	357,858	\$ 101,888	\$ 459,746
Accumulated depreciation	-	(14,686)	(14,686)
	<u>\$ 357,858</u>	<u>\$ 87,202</u>	<u>\$ 445,060</u>

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

	Year ended December 31, 2022
Rental income from investment property	<u>\$ 7,138</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 4,100</u>

B. The fair value of the investment property held by the Company as at December 31, 2022 was \$508,275.

### (10) Short-term loans

<u>Type of loans</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank loans		
Credit loans	\$ 27,985,235	\$ 26,847,520
Mid-term syndicated loans for working capital	19,811,100	7,575,000
Pledged loans	7,500,000	4,800,000
	<u>\$ 55,296,335</u>	<u>\$ 39,222,520</u>
Interest rates	<u>0.55%~2.04%</u>	<u>0.52%~1.25%</u>

As of December 31, 2022 and 2021, the descriptions of borrowings are as follows:

A. The Company 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%~2.24% and 0.52%~1.25% respectively.

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- B. The Company has entered into a mid-term syndicated contract for a credit line of \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from the first time of being drawn). The loan can be drawn several times. The loan has not yet been drawn as of December 31, 2022.
- C. The Company has entered into a mid-term syndicated contract for a credit line of JPY 25 billion with 9 financial institutions including Mizuho Bank, in order to fulfil its working capital. The duration is 12 months (from December 6, 2022 to December 6, 2023). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- D. The 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.
- E. 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 payment term is to repay the full drawn amount at the maturity date.
- F. For the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods, the Company is required to maintain specific current ratio, owner's capital ratio, net tangible assets ratio, interest coverage ratio and net value.

### (11) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$ 101,083,400	\$ 97,000,000
Less: Unamortized discount	( 121,635)	( 85,812)
	<u>\$ 100,961,765</u>	<u>\$ 96,914,188</u>
Interest rates	<u>0.66%~1.84%</u>	<u>0.39%~1.04%</u>

### (12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages and salaries payable	\$ 451,204	\$ 531,411
Commission payable	277,600	305,635
Business tax payable	209,005	144,980
Interest payable	188,576	61,394
Employees' compensation payable	46,480	40,063
Receipts under custody	34,425	27,972
Others	740,645	582,428
	<u>\$ 1,947,935</u>	<u>\$ 1,693,883</u>

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### (13) Bonds payable

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

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

- A. 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.
- B. 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.
- C. 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.
- D. 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.
- E. 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.
- F. The Company issued \$2,400,000, 0.73% first unsecured ordinary bonds in 2018. The bonds mature 3 years from the issue date (July 6, 2018 ~ July 6, 2021) and will be redeemed in cash at face value at the maturity date. The bonds were fully paid at the maturity date.

### (14) Pensions

#### Defined contribution pension plan

- A. Effective July 1, 2005, the Company 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 Company 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 pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$49,488 and \$42,072, respectively.

### (15) Share-based payments

- A. For the year ended December 31, 2022, the Company's share-based payment arrangements were as follows:

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Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2022.8.4	5,000 thousand shares	NA	Vested immediately

B. The fair value of stock options on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility(%)	Expected option life(years)	Risk-free interest rate(%)	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2022.8.4	\$101.72	\$ 100	6.35	0.112	0.6113	\$ 2.03

C. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2022
Equity-settled	\$ 10,150

### (16) Share capital

- A. As of December 31, 2022 and 2021, 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



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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.

### (17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par

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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.

### (18) 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 the Financial Supervisory Commission's letter Jin-Guan-Zheng-Fa-Zi No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On June 23, 2022 and July 22, 2021, the shareholders resolved that the stock and cash dividends for the distribution of earnings for the years of 2021 and 2020 was as follows:

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	<u>Year ended December 31, 2021</u>		<u>Years ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 314,144		\$ 258,555	
Special reserve	81,689		( 40,837)	
Cash dividend	<u>2,163,002</u>	\$ 4.20	<u>1,802,501</u>	\$ 3.50
	<u>\$ 2,558,835</u>		<u>\$ 2,020,219</u>	

F. On March 9, 2023, the Board of Directors resolved that the stock and cash dividends for the distribution of earnings of 2022 was as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 362,339	
Special reserve	( 133,439)	
Dividends on special shares	58,685	\$ 1.17
Cash dividend on ordinary shares	1,802,501	3.50
Stock dividend on ordinary shares	<u>515,000</u>	1.00
	<u>\$ 2,605,086</u>	

### (19) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 1,750,286	\$ 1,565,905
Other operating revenue		
Interest income	13,317,707	10,011,279
Revenue from operating leases	160,420	198,003
Revenue from finance leases	<u>6,956</u>	<u>10,040</u>
	<u>\$ 15,235,369</u>	<u>\$ 11,785,227</u>

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time:

## VI. Finance Overview

	Years ended December 31,	
	2022	2021
Timing of revenue recognition		
At a point in time	\$ 1,467,211	\$ 1,196,986
Over time	283,075	368,919
	<u>\$ 1,750,286</u>	<u>\$ 1,565,905</u>

### (20) Operating costs

	Years ended December 31,	
	2022	2021
Cost of sales	\$ 1,553,423	\$ 1,231,212
Interest costs	1,651,566	783,657
Rental sales	159,312	181,969
Service costs	456,553	149,576
Other costs	2,108	620
	<u>\$ 3,822,962</u>	<u>\$ 2,347,034</u>

### (21) Interest income

	Years ended December 31,	
	2022	2021
Interest from short-term notes	\$ 5,116	\$ 2
Interest from bank deposits	1,707	57
Others interest	80	18
	<u>\$ 6,903</u>	<u>\$ 77</u>

### (22) Other income

	Years ended December 31,	
	2022	2021
Rental revenue	\$ 9,634	\$ 3,743
Other income - others	53,610	47,340
	<u>\$ 63,244</u>	<u>\$ 51,083</u>

### (23) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 1,463,893	\$ 1,393,625
Depreciation charges on right-of-use assets	\$ 25,106	\$ 30,398
Depreciation charges on property, plant and equipment	\$ 168,865	\$ 197,210
Depreciation charges on investment property	\$ 2,850	\$ -

## VI. Finance Overview

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### (24) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 1,246,203	\$ 1,195,130
Labor and health insurance fees	92,955	81,997
Pension costs	49,488	42,072
Directors' remuneration	4,083	7,223
Other personnel expenses	71,164	67,203
	<u>\$ 1,463,893</u>	<u>\$ 1,393,625</u>

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' remuneration. The percentage shall be 1% for employees' remuneration. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

B. For the years ended December 31, 2022 and 2021, employees' remuneration were accrued at \$46,480 and \$40,063, 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 year ended December 31, 2022. The employees' remuneration resolved by the Board of Directors amounted to \$46,480 and the employees' remuneration will be distributed in the form of cash.

Employees' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in salary expenses of 2021.

Information about employees' remuneration and directors' and supervisors' 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.

### (25) Income tax

A. Income tax expense

(a) Components of income tax expense:

## VI. Finance Overview

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	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 946,417	\$ 751,704
Tax on undistributed surplus earnings	29,130	28,267
Prior year income tax over estimation	(4,328)	(10,621)
Total current tax	<u>971,219</u>	<u>769,350</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>6,894</u>	<u>55,400</u>
Total deferred tax	<u>6,894</u>	<u>55,400</u>
Income tax expense	<u>\$ 978,113</u>	<u>\$ 824,750</u>

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

	Years ended December 31,	
	2022	2021
Cash flow hedges	<u>\$ 57,232</u>	<u>(\$ 18,238)</u>

### B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory	\$ 920,300	\$ 793,239
Effect from items adjusted based on other regulations	33,011	13,865
Tax on undistributed surplus earnings	29,130	28,267
Prior year income tax over estimation	(4,328)	(10,621)
Income tax expense	<u>\$ 978,113</u>	<u>\$ 824,750</u>

## VI. Finance Overview

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

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Allowance for doubtful accounts	\$ 135,632	\$ 82,206	\$ -	\$ 217,838
Unrealized provision of rental property losses	2,380	( 847)	-	1,533
Difference in depreciation between financial and tax reporting purposes	17,184	315	-	17,499
Others	16,061	753	( 13,119)	3,695
Subtotal	\$ 171,257	\$ 82,427	(\$ 13,119)	\$ 240,565
Deferred tax liabilities:				
Gains from overseas' investment	(\$ 227,252)	(\$ 89,321)	\$ -	(\$ 316,573)
Others	-	-	( 44,113)	( 44,113)
Subtotal	(\$ 227,252)	(\$ 89,321)	(\$ 44,113)	(\$ 360,686)
Total	(\$ 55,995)	(\$ 6,894)	(\$ 57,232)	(\$ 120,121)
	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Allowance for doubtful accounts	\$ 112,512	\$ 23,120	\$ -	\$ 135,632
Unrealized provision of rental property losses	4,087	( 1,707)	-	2,380
Difference in depreciation between financial and tax reporting purposes	14,576	2,608	-	17,184
Others	2,767	175	13,119	16,061
Subtotal	\$ 133,942	\$ 24,196	\$ 13,119	\$ 171,257
Deferred tax liabilities:				
Gains from overseas' investment	(\$ 147,656)	(\$ 79,596)	\$ -	(\$ 227,252)
Others	( 5,119)	-	5,119	-
Subtotal	(\$ 152,775)	(\$ 79,596)	\$ 5,119	(\$ 227,252)
Total	(\$ 18,833)	(\$ 55,400)	\$ 18,238	(\$ 55,995)

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

## VI. Finance Overview

### (26) Earnings per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>afte tax</u>	<u>number of ordinary</u>	<u>share</u>
		<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$3,623,387</u>	<u>515,000</u>	<u>\$ 7.04</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>521</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$3,623,387</u>	<u>515,521</u>	<u>\$ 7.03</u>
	<u>Year ended December 31, 2021</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>afte tax</u>	<u>number of ordinary</u>	<u>share</u>
		<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$3,141,443</u>	<u>515,000</u>	<u>\$ 6.10</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>517</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$3,141,443</u>	<u>515,517</u>	<u>\$ 6.09</u>



## VI. Finance Overview

### (27) Changes in liabilities from financing activities

	<u>Short-term loans</u>	<u>Short-term notes and bills payable</u>	<u>Bonds payable</u>	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Dividends payable</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2022	\$ 39,222,520	\$ 96,914,188	\$ 12,200,000	\$ 349,152	\$ 96,954	\$ -	\$ 148,782,814
Changes in cash flow from financing activities	16,026,599	4,083,400	10,000,000	169,836	( 25,080)	( 2,163,002)	28,091,753
Others	47,216	( 35,823)	-	-	( 4,888)	2,163,002	2,169,507
At December 31, 2022	<u>\$ 55,296,335</u>	<u>\$ 100,961,765</u>	<u>\$ 22,200,000</u>	<u>\$ 518,988</u>	<u>\$ 66,986</u>	<u>\$ -</u>	<u>\$ 179,044,074</u>

	<u>Short-term loans</u>	<u>Short-term notes and bills payable</u>	<u>Bonds payable</u>	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Dividends payable</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2021	\$ 28,215,495	\$ 75,493,541	\$ 9,400,000	\$ 240,187	\$ 109,912	\$ -	\$ 113,459,135
Changes in cash flow from financing activities	11,170,000	21,480,000	2,800,000	108,965	( 30,095)	( 1,802,501)	33,726,369
Others	( 162,975)	( 59,353)	-	-	17,137	1,802,501	1,597,310
At December 31, 2021	<u>\$ 39,222,520</u>	<u>\$ 96,914,188</u>	<u>\$ 12,200,000</u>	<u>\$ 349,152</u>	<u>\$ 96,954</u>	<u>\$ -</u>	<u>\$ 148,782,814</u>

## VI. Finance Overview

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### 7. RELATED PARTY TRANSACTIONS

#### (1) Names of related parties and relationship.

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Ho Tai Motor Co., Ltd.	The ultimate parent
Hozan Investment Co., Ltd.	Parent
Hoyun International Leasing Co., Ltd. (Hoyun International)	Subsidiary
Hoing Mobility Service Co., Ltd. (Hoing)	Subsidiary
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary
He Jing Co., Ltd. (He Jing)	Subsidiary
He Jun Energy Co., Ltd.	Subsidiary
Hotai Leasing Co., Ltd. (Hoyun)	Other related parties
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Other related parties
Tau Miao Motor Co., Ltd. (Tau Miao)	Other related parties
Kuotu Motor Co., Ltd. (Kuotu)	Other related parties
Central Motor Co., Ltd. (Central Motor)	Other related parties
Nan Du Motor Co., Ltd.	Other related parties
Kau Du Automobile Co., Ltd. (Kau Du)	Other related parties
Toyota Material Handling Taiwan Ltd.	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
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 Service & Marketing Co., Ltd.	Other related parties
Hotai Connected Co., Ltd. (Hotai Connected)	Other related parties
Ho Yu Investment Co., Ltd. (Ho Yu)	Other related parties
Hotai Innovation marketing Corporation	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
Ho Young Travel Agency CO., LTD.	Other related parties
Wei Tien Energy Storage Co., Ltd.	Other related parties

## VI. Finance Overview

### (2) Significant related party transactions and balances

#### A. Revenue:

##### (a) Compensation of installment sale price spread

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 195,127	\$ 243,816
- Other related parties	256,492	326,270
	<u>\$ 451,619</u>	<u>\$ 570,086</u>

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

##### (b) Advisory revenue (shown as deduction to administrative expenses)

	Years ended December 31,	
	2022	2021
- Subsidiary		
Hoyun International	\$ 42,074	\$ 23,877
He Jing	7,357	-
Others	4,771	-
- Other related parties		
Hoyun	2,556	6,802
	<u>\$ 56,758</u>	<u>\$ 30,679</u>

##### (c) Fee income

	Years ended December 31,	
	2022	2021
- Other related parties	<u>\$ 20,240</u>	<u>\$ 14,501</u>

##### (d) Other income

	Years ended December 31,	
	2022	2021
- Subsidiary		
He Jing	\$ 11,180	\$ 2,880
Others	70	1,782
- Other related parties	387	364
	<u>\$ 11,637</u>	<u>\$ 5,026</u>

## VI. Finance Overview

### B. Expenses

#### (a) Rental expense:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 106	\$ 95
- Subsidiary	250	246
- Other related parties		
Hoyun	9,742	8,960
Others	280	140
	<u>\$ 10,378</u>	<u>\$ 9,441</u>

The Company entered into rental contracts based on normal conditions with related parties and pays rent monthly based on the contracts.

#### (b) Commission expense:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 25,583	\$ 16,985
- Other related parties	331,530	334,794
	<u>\$ 357,113</u>	<u>\$ 351,779</u>

#### (c) Advertisement expense:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 1	\$ 71
- Subsidiary		
Hoing	1,000	30,000
- Other related parties		
Hotai Connected	16,539	9,740
Others	-	2,400
	<u>\$ 17,540</u>	<u>\$ 42,211</u>

#### (d) Chattel security service charge:

	Years ended December 31,	
	2022	2021
- Other related parties	<u>\$ 41,670</u>	<u>\$ -</u>

## VI. Finance Overview

### (e) Others

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
- The ultimate parent	\$ 1,919	\$ 5,114
- Other related parties		
Kuotu	6,400,391	7,535,289
Kau Du	4,683,949	5,570,457
Tau Miao	3,706,139	5,212,906
Taipei Motor	3,535,440	4,247,682
Central Motor	628,921	5,186,111
Others	86,889	4,286,094
	<u>\$ 19,043,648</u>	<u>\$ 32,043,653</u>

As described in Note 4(27), 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 the transaction are all pledged as collateral. The credit terms to related parties were the same as those to third parties.

### C. Receivables from (payables to) related parties:

#### (a) Receivables from related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- The ultimate parent	\$ 32,597	\$ 62,953
- Subsidiary	6	6
- Other related parties	36,716	66,567
	<u>\$ 69,319</u>	<u>\$ 129,526</u>

#### (b) Accounts payable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- Other related parties		
Kuotu	\$ 90,248	\$ 73,890
Kau Du	37,730	31,959
Taipei Motor	29,980	71,300
Others	-	21,730
	<u>\$ 157,958</u>	<u>\$ 198,879</u>

#### (c) Other payables:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
- The ultimate parent	\$ 521	\$ 1,384
- Subsidiary	72	53
- Other related parties	38,737	41,336
	<u>\$ 39,330</u>	<u>\$ 42,773</u>

## VI. Finance Overview

### D. Endorsements and guarantees

Subsidiary	December 31, 2022		December 31, 2021	
	NTD	12,500,000	NTD	6,000,000
	CNY	580,000	CNY	550,000
	USD	5,000	USD	5,000

### E. Property transactions

#### (a) Disposal of property, plant and equipment:

	Years ended December 31,	
	2022	2021
- Subsidiary		
He Jun Energy Co., Ltd.	\$ 95,006	\$ -

#### (b) Disposal of other assets:

	Years ended December 31,	
	2022	2021
- Subsidiary		
He Jun Energy Co., Ltd.	\$ 42,996	\$ -

### F. Lease transactions-lessee

(a) The Company 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 assets:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ -	\$ 12,975

#### (c) Lease liabilities:

	Years ended December 31,	
	2022	2021
- The ultimate parent	\$ 3,798	\$ 20,541
- Other related parties		
Ho Yu	17,956	35,713
	\$ 21,754	\$ 56,254

### (3) Key management compensation

	Years ended December 31,	
	2022	2021
Wages, salaries and others short-term employee benefits	\$ 65,284	\$ 42,712
Post-employment benefits	544	377
	\$ 65,828	\$ 43,089

## VI. Finance Overview

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### 8. PLEDGED ASSETS

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

Items	December 31, 2022	December 31, 2021	Purpose
Pledged assets (Note)			
- Pledged time deposits	\$ 1,000	\$ 1,200	Guarantee deposit for credit line on gasoline purchases
- Pledged savings account	150,000	120,000	Pledged to banks as collateral for short-term borrowings and commercial paper payable
	<u>\$ 151,000</u>	<u>\$ 121,200</u>	
Notes and accounts receivable, net			
- Notes receivable from installment sales	\$ 3,876,759	\$ 5,286,801	Pledged to banks as collateral for short-term borrowings and commercial paper payable
- Notes receivable from leases	66,561	63,049	"
	<u>\$ 3,943,320</u>	<u>\$ 5,349,850</u>	

Note: Shown as 'Other current financial assets' and "Other non-current assets, other".

### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Please refer to Note 6(8) for the operating leases agreement.

### 10. SIGNIFICANT DISASTER LOSS

None.

### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(18) for the appropriation of 2022 earnings.

(2) On January 2023, the subsidiary, He Jun Energy Co., Ltd. participated in the capital increase raised by Heng Fong Energy Co., Ltd. amounting to \$ 410,000 and acquired 20% shares of investee.

### 12. OTHERS

#### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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.

## VI. Finance Overview

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 3,519	\$ 3,357
Financial assets at amortized cost		
Cash and cash equivalents	\$ 969,999	\$ 250,551
Notes receivable	7,120,910	8,333,584
Accounts receivable	186,862,870	153,137,044
Other receivables	8,823	7,821
Guarantee deposits paid	36,779	22,034
Long-term notes and accounts receivable	7,271,134	4,059,799
Other financial assets	151,000	121,200
	<u>\$ 202,421,515</u>	<u>\$ 165,932,033</u>
Hedging financial assets	<u>\$ 341,901</u>	<u>\$ -</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ 55,296,335	\$ 39,222,520
Short-term notes and bills payable	100,961,765	96,914,188
Notes payable	16,406	28,497
Accounts payable (including related parties)	284,634	278,164
Other payables	1,947,935	1,693,883
Bonds payable	22,200,000	12,200,000
Guarantee deposits received	518,988	349,152
Financial guarantee liabilities	39,598	53,707
	<u>\$ 181,265,661</u>	<u>\$ 150,740,111</u>
Lease liabilities	<u>\$ 66,986</u>	<u>\$ 96,954</u>
Hedging financial liabilities	<u>\$ 586,800</u>	<u>\$ 578,276</u>

#### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Company, 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 dedicated department of companies with the Company under policies approved by the Board of Directors. Finance department identifies, evaluate and hedge financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies



## VI. Finance Overview

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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. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the Company treasury.
- ii. The Company 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(2).
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). Considering the cross-currency swap transactions the Company is engaged in, the Company does not have any under material foreign exchange risk.

##### Cash flow and fair value Interest rate risk

- i. The interest rate risk of the Company is mainly from the floating rate loans with financial institutions, which exposes the Company to cash-flow interest rate risk.
- ii. The Company using 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 Company estimates there would be no material market risk.
- iii. The Company borrows loans, with fixed interest rate. The Company entered into interest rate swap contracts for hedging fluctuated market interest rate. There is low cash flow risk.
- 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 Company is engaged in, profit after tax ended December 31, 2022 would have increased/decreased by \$319,000. The main factor is that changes in interest expense result in floating-rate borrowings.

#### (b) Credit risk

- i. The Company has lower significant concentrations of agreements with single clients and the Company 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 Company's receivables have proper collaterals. Therefore,

## VI. Finance Overview

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- credit risk of receivables is low. The maximum loss to the Company is the total book value of receivables.
- ii. The Company engages in cross-currency swap transactions with the good credit standing financial institutions. Therefore, the Company expects the credit risk of the counterparties to be low.
  - iii. The Company provides guarantee for bank financing to Hoyun International Leasing Co., Ltd., Hoyun (Shanghai) Commercial Factoring Co., Ltd., He Jun Energy Co., Ltd. and He Jing Co., Ltd., the subsidiaries of the Company, in accordance with the "Procedures Governing Endorsements and Guarantees". Since the Company 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 Company is the total amount of loan guarantees.
  - iv. The Company entered into contracts with banks to introduce customers to avail of car mortgage loan with the banks. According to the contract signed by the Company and the banks, if any customer car loans payment is delayed, the Company is required to reimburse the unpaid balance. Upon such payment, the Company takes over the remaining creditor rights on the delinquent loan. As of December 31, 2022 and 2021, the outstanding amount of the customers' mortgaged loans with the banks were \$3,779,139 and \$5,211,354, respectively; and the amount of notes receivable received by the Company from the customers were \$71,213 and \$90,436, respectively. The Company 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-current'.
  - v. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
  - vi. The Company adopts 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, there has been a significant increase in credit risk on that instrument since initial recognition.
  - 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;
    - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

## VI. Finance Overview

- viii. The Company classifies customers' installment accounts and notes receivable and lease payments and notes receivable in accordance with situation of default. The Company applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- ix. The Company used historical expense and the forward-looking information, such as forecast ability of future economic environment to assess the default possibility of installment accounts and notes receivable and lease payments and notes receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

		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	\$230,088,653	\$ 588,338	\$ 316,791	\$ 234,177
Loss allowance	\$ 2,044,112	\$ 234,485	\$ 220,851	\$ 186,174
		121 to 150		
		<u>days past due</u>	<u>Over 150 days</u>	<u>Total</u>
Total book value		\$ 241,171	\$ 201,177	\$231,670,307
Loss allowance		\$ 214,664	\$ 192,833	\$ 3,093,119
		31 to 60	61 to 90	91 to 120
<u>December 31, 2021</u>	<u>Not past due</u>	<u>days past due</u>	<u>days past due</u>	<u>days past due</u>
Total book value	\$185,890,762	\$ 418,658	\$ 221,805	\$ 147,496
Loss allowance	\$ 1,643,298	\$ 166,633	\$ 155,154	\$ 117,985
		121 to 150		
		<u>days past due</u>	<u>Over 150 days</u>	<u>Total</u>
Total book value		\$ 103,195	\$ 135,084	\$186,917,000
Loss allowance		\$ 92,671	\$ 127,071	\$ 2,302,812

## VI. Finance Overview

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Movements of the Company's loss allowance of notes and accounts receivable are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Receivables</u>	
At January 1	\$	2,302,812
Provision for impairment		2,289,495
Write-offs	(	1,499,188)
At December 31	\$	<u>3,093,119</u>

	<u>Year ended December 31, 2021</u>	
	<u>Receivables</u>	
At January 1	\$	1,811,701
Provision for impairment		1,606,894
Write-offs	(	1,115,783)
At December 31	\$	<u>2,302,812</u>

For the years ended December 31, 2022 and 2021, gain on reversal of bad debts amounted to \$806,979 and \$581,520, respectively, and recognized in deduction on expected credit impairment loss.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating segments and aggregated by the finance department of the Company. Finance department monitors rolling forecasts of the Company'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.
- ii. As of December 31, 2022 and 2021, the Company's unused credit line amounted to \$74,360,000 and \$55,500,000, respectively.
- iii. The table below analyses the Company'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.

## VI. Finance Overview

<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	\$ 35,822,717	\$ 9,701,242	\$ 10,650,051
Short-term notes and bills payable	77,553,817	11,228,520	13,088,357
Notes payable	16,406	-	-
Accounts payable (including related parties)	284,634	-	-
Other payables	1,947,935	-	-
Lease liabilities	24,177	17,771	25,850
Bonds payable	209,000	209,000	22,303,427
<u>Derivative financial liabilities:</u>			
Cross-currency swap	174,433	412,367	-
<u>December 31, 2021</u>	<u>Within 1 year</u>	<u>1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 30,209,845	\$ 1,985,266	\$ 7,252,423
Short-term notes and bills payable	77,384,122	16,844,594	3,000,976
Notes payable	28,497	-	-
Accounts payable (including related parties)	278,164	-	-
Other payables	1,693,883	-	-
Lease liabilities	29,888	27,398	41,452
Bonds payable	77,900	77,900	12,334,873
<u>Derivative financial liabilities:</u>			
Cross-currency swap	-	156,206	422,070

### (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.

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 Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company'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, short-term notes and bills payable,

## VI. Finance Overview

other payables and bonds payable 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 December 31, 2022 and 2021 is as follows:

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

<u>December 31, 2022</u>	<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	\$ -	\$ 341,901	\$ -	\$ 341,901
Financial assets at fair value through other comprehensive income				
- Equity securities	<u>-</u>	<u>-</u>	<u>3,519</u>	<u>3,519</u>
	<u>\$ -</u>	<u>\$ 341,901</u>	<u>\$ 3,519</u>	<u>\$ 345,420</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 586,800</u>	<u>\$ -</u>	<u>\$ 586,800</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,357</u>	<u>\$ 3,357</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,357</u>	<u>\$ 3,357</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 578,276</u>	<u>\$ -</u>	<u>\$ 578,276</u>

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

- i. 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 balance sheet date.
- ii. 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 Company 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.

## VI. Finance Overview

- iii. The Company 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 Company's credit quality.
- D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1, Level 2 and Level 3.
- E. The finance 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 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 December 31, 2021	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 3,357	Net worth method	Net asset value		- The higher the net asset value, the higher the fair value

- G. The Company 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) Other matter

The Covid-19 outbreak and the various government epidemic prevention measures implemented did not affect the Company's operations.

## VI. Finance Overview

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(5) The Company's current assets and liabilities receivable or payable within or over 12 months after the balance sheet date are as follows:

<u>December 31, 2022</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 969,999	\$ 969,999	\$ -
Hedging financial assets - current	341,901	182,211	159,690
Accounts and notes receivable, net	193,983,780	64,479,213	129,504,567
Other receivables	8,823	8,823	-
Inventories	4,181	4,181	-
Prepayments	2,898,499	1,389,281	1,509,218
Other current financial assets	150,400	150,400	-
<u>Liabilities</u>			
Short-term loans	\$ 55,296,335	\$ 35,329,860	\$ 19,966,475
Short-term notes and bills payable	100,961,765	77,033,777	23,927,988
Hedging financial liabilities - current	586,800	174,433	412,367
Accounts and notes payable (including related parties)	301,040	301,040	-
Other payables	1,947,935	1,947,935	-
Current income tax liabilities	602,572	602,572	-
Lease liabilities-current	23,791	23,791	-
Financial guarantee liabilities-current	39,598	39,598	-
Bonds payable	22,200,000	-	22,200,000
Guarantee deposits received-current	515,285	221,484	293,801

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## VI. Finance Overview

<u>December 31, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 250,551	\$ 250,551	\$ -
Accounts and notes receivable, net	161,470,628	54,449,248	107,021,380
Other receivables	7,821	7,821	-
Inventories	1,207	1,207	-
Prepayments	3,713,853	1,432,734	2,281,119
Other current financial assets	120,600	90,600	30,000
<u>Liabilities</u>			
Short-term loans	\$ 39,222,520	\$ 30,100,000	\$ 9,122,520
Short-term notes and bills payable	96,914,188	77,130,606	19,783,582
Hedging financial liabilities - current	578,276	-	578,276
Accounts and notes payable (including related parties)	306,661	306,661	-
Other payables	1,693,883	1,693,883	-
Current income tax liabilities	465,359	465,359	-
Lease liabilities-current	29,192	29,192	-
Financial guarantee liabilities-current	53,707	53,707	-
Bonds payable	12,200,000	-	12,200,000
Guarantee deposits received-current	343,745	166,017	177,728

### 13. SUPPLEMENTARY DISCLOSURES

The information of significant transactions for the year ended December 31, 2022 is as follows:

#### (1) Significant transactions information

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

## VI. Finance Overview

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

As of December 31, 2021, derivative financial instruments that are not yet matured are as follows:

<u>Name of company holding the derivative financial instrument</u>	<u>Derivative financial Instrument</u>	<u>Contract amount (In thousands)</u>	<u>Expiry date</u>	<u>Book value</u>	<u>Fair value</u>
Hotai Finance Co., Ltd.	Cross-currency swap	JPY 58,800,000	2023/8/7~ 2024/9/9	(\$ 404,589)	(\$404,589)
		EUR 75,000	2024/9/12	159,690	159,690

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

### (2) Information on investees

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

### (3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

(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 8.

## 14. SEGMENT INFORMATION

Not applicable.

## VI. Finance Overview

Hotai Finance Co., Ltd.

Loans to others

Year ended December 31, 2022

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	1.277%	Short-term financing	\$ -	Operational needs	\$ -	None	\$ -	\$ 2,948,130	\$ 5,896,260	Note 1
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Other receivables	Y	2,000,000	2,000,000	-	1.477%	Short-term financing	-	Operational needs	-	None	-	2,948,130	5,896,260	Note 1
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Other receivables	Y	225,465	-	-	4.10%	Short-term financing	-	Operational needs	-	None	-	5,471,827	10,943,654	Note 2
2	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Other receivables	Y	30,000	30,000	30,000	2.06%	Short-term financing	-	Operational needs	-	None	-	97,122	194,244	Note 3
2	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Other receivables	Y	40,000	40,000	40,000	2.06%	Short-term financing	-	Operational needs	-	None	-	97,122	194,244	Note 3
2	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Other receivables	Y	30,000	30,000	30,000	2.06%	Short-term financing	-	Operational needs	-	None	-	97,122	194,244	Note 3
3	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	20,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	23,400	92,725	185,450	Note 4
3	He Jing Co., Ltd.	B	Accounts receivable	N	30,000	30,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	36,000	92,725	185,450	Note 4

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 is 20% of net worth and limit on loans granted to a single party is 10% of net worth .

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

## VI. Finance Overview

Table 2

Hotai Finance Co., Ltd.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

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 December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	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	\$ 29,481,299	\$ 10,500,000	\$ 10,500,000	\$ 7,200,000	\$ -	35.62%	\$ 29,481,299	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	29,481,299	2,000,000	2,000,000	-	-	6.78%	29,481,299	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Subsidiary of a subsidiary	29,481,299	2,254,647	2,206,971	1,069,855	-	7.49%	29,481,299	Y	N	Y	Note 2
0	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary of a subsidiary	29,481,299	515,934	506,665	384,625	-	1.72%	29,481,299	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.

## VI. Finance Overview

Hotai Finance Co., Ltd.

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

December 31, 2022

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 3

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	\$ 3,416	0.50%	\$ 3,416	
Hotai Finance Co., Ltd.	Ho Chuang Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	103	0.50%	103	
He Jing Co., Ltd.	Beneficiary certificate-Taishin 1699 Money Market Fund	Not applicable	Investments in equity instruments designated at fair value through profit or loss-current	21,794,089	300,000	-	300,000	

## VI. Finance Overview

### 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

Year ended December 31, 2022

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, 2022		Additions		Disposal			Balance as at December 31, 2022		Footnote		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Investments accounted for using the equity method	He Jun Energy Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	Note
Hotai Finance Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	107,163,492	1,700,000	107,163,492	1,700,315	1,700,000	315	-	-	-	-
Hotai Finance Co., Ltd.	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	327,937,006	4,500,000	327,937,006	4,501,577	4,500,000	1,577	-	-	-	-
Hotai Finance Co., Ltd.	FSITC Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	116,031,997	1,800,000	116,031,997	1,800,310	1,800,000	310	-	-	-	-
Hotai Finance Co., Ltd.	Taishin Ta Chong Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	34,704,147	500,000	34,704,147	500,108	500,000	108	-	-	-	-
Hotai Finance Co., Ltd.	Hua Nan Kirin Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	246,937,969	3,000,000	246,937,969	3,000,445	3,000,000	445	-	-	-	-
He Jing Co., Ltd.	Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	18,178,788	300,000	18,178,788	300,106	300,000	106	-	-	-	-
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	69,064,445	950,000	47,270,356	650,260	650,000	260	21,794,089	300,000	-	-

Note: Please refer to table 6 for relevant information.

## VI. Finance Overview

Hotai Finance Co., Ltd.  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	1	Property, plant and equipment and other non- current assets	\$ 138,002	Based on the contracts	0.05%
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	1	Revenue from administrative service fee and other income	18,537	Based on the contracts	0.08%
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	1	Revenue from administrative service fee	42,074	Based on the contracts	0.18%
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	3	Rental revenue	25,577	Based on the contracts	0.11%
1	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%
1	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	3	Other receivables	40,000	Note 5	0.02%
1	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	3	Other receivables	30,000	Note 5	0.01%

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

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

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

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

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

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

Note 5: Result of receivable on loan financing.

## VI. Finance Overview

Table 6

Hotai Finance Co., Ltd.  
Information on investees  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the Year ended December 31, 2022	Investment income (loss) recognised by the Company for the Year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	\$ 1,240,684	\$ 1,240,684	40,400,000	50.50	\$ 2,763,900	\$ 884,368	\$ 446,605	Subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of passenger car	310,000	310,000	31,000,000	50.82	342,634	52,515	26,688	Subsidiary
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Taiwan	Installment sales of various vehicles	810,000	810,000	81,000,000	81.00	751,075	( 60,947)	( 49,367)	Subsidiary
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar energy business	800,000	-	80,000,000	80.00	776,980	( 28,775)	( 23,020)	Subsidiary
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taiwan	Taxi dispatch service	120,000	120,000	12,000,000	27.40	91,148	( 43,801)	( 12,000)	Associate
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Taiwan	Energy storage business	22,000	-	2,200,000	100.00	21,539	( 461)	( 461)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Zheng-Ren Energy Co., Ltd.	Taiwan	Solar energy business	31,850	-	3,185,000	35.00	24,354	( 21,507)	( 7,496)	Associate
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Taiwan	Solar energy business	9,781	-	900,000	90.00	9,625	1,212	156	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar energy business	116	-	9,000	90.00	106	453	( 10)	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Taiwan	Solar energy business	1,066	-	9,000	90.00	718	522	( 348)	Subsidiary of a subsidiary



## VI. Finance Overview

Hotai Finance Co., Ltd.  
Information on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the Year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the Year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	Remitted to Taiwan								
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	\$ 2,456,800	Note 1(2)	\$ 1,240,684	\$ -	\$ -	\$ 1,240,684	\$ 884,368	50.50	\$ 446,605	\$ 2,763,900	\$ -	Note 2(2) B.	
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	220,697	Note 1(3)	-	-	-	-	18,311	50.50	9,247	135,979	-	Note 2(2) B.	
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	662,091	Note 1(3)	-	-	-	-	35,200	50.50	17,776	293,493	-	Note 2(2) B.	
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	441	Note 1(3)	-	-	-	-	-	50.50	-	3,266	-	Note 2(2) B.	
Hangzhou Wangyou Technology Co., Ltd.	Leasing business	441	Note 1(3)	-	-	-	-	-	50.50	-	947	-	Note 2(2) B.	
Homei Consulting (Suzhou) Company Limited	Consulting service	441	Note 1(3)	-	-	-	-	-	50.50	-	223	-	Note 2(2) B.	

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 Year ended December 31, 2022' 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 December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Hotai Finance Co., Ltd.	\$ 1,240,684	\$ 1,241,948	\$ 19,735,808

## VI. Finance Overview

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Hotai Finance Co., Ltd.  
Major shareholders information  
December 31, 2022

Table 8

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

Note: Excluding preferred stock.

## VI. Finance Overview

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<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 1,812
Checking accounts		10,578
Demand deposits		<u>957,609</u>
		<u>\$ 969,999</u>

## VI. Finance Overview

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<u>Client</u>	<u>Description</u>	<u>Amount</u>	<u>Footnotes</u>
Others	Installment notes receivable	\$ 7,054,693	Note
Others	Lease notes receivable	86,079	"
Others	Installment account receivable	224,471,995	"
Others	Lease account receivable	57,540	"
		<u>231,670,307</u>	
	Unrealized interest revenue	( 27,317,354)	
	Unearned finance income	( 4,920)	
	Allowance for bad debts	( 3,093,119)	
		<u>\$ 201,254,914</u>	

Note: None of the balance of each remaining client is greater than 5% of this account balance.

## VI. Finance Overview

Name	Beginning as of January 1, 2022		Addition		Deductions		Balance as of December 31, 2022			Market Value or Net Assets Value		Guaranteed or pledged as collaterals	Footnote
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Ownership (%)	Amount	Unit Price	Total Amount		
Hoyun International Limited	40,400,000	\$2,290,886	-	\$ 483,011	-	(\$ 9,997)	40,400,000	50.50%	\$2,763,900	68.41	\$2,763,900	No	
Hoing Mobility Service Corporation	31,000,000	315,946	-	26,688	-	-	31,000,000	50.82%	342,634	11.05	342,634	"	
Hotai Mobility Service Co., Ltd.	12,000,000	103,148	-	-	-	( 12,000)	12,000,000	27.40%	91,148	7.60	91,148	"	
He Jing Co., Ltd.	81,000,000	800,442	-	-	-	( 49,367)	81,000,000	81.00%	751,075	9.27	751,075	"	
He Jun Energy Co., Ltd.	-	-	80,000,000	<u>800,000</u>	-	( <u>23,020</u> )	80,000,000	80.00%	<u>776,980</u>	9.71	776,980	"	
Total		<u>\$3,510,422</u>		<u>\$1,309,699</u>		<u>(\$ 94,384)</u>			<u>\$4,725,737</u>				

## VI. Finance Overview

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Item	Balance as of January 1, 2022	Additions	Deductions	Reclassification	Balance as of December 31, 2022	Guaranteed or collateral	Footnote
Land	\$ 701,309	\$ 477,772	\$ -	(\$ 357,858)	\$ 821,223	No	
Buildings	255,265	60,289	-	( 101,888)	213,666	"	
Office equipment	50,233	81,948	( 96,213)	-	35,968	"	
Rental assets	629,360	65,593	-	( 256,837)	438,116	"	
Leasehold improvements	15,578	-	-	-	15,578	"	
	\$ 1,651,745	\$ 685,602	(\$ 96,213)	(\$ 716,583)	\$ 1,524,551		

Description: Listed according to land, buildings, machinery and other categories.

## VI. Finance Overview

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Item	Balance as of January 1, 2022	Additions	Deductions	Reclassifications	Balance as of December 31, 2022	Footnote
Buildings	\$ 22,919	\$ 4,827	\$ -	(\$ 11,836)	\$ 15,910	
Office equipment	32,616	2,560	( 1,207)	-	33,969	
Rental assets	354,293	159,458	-	( 251,094)	262,657	
Leasehold improvements	11,660	2,020	-	-	13,680	
	\$ 421,488	\$ 168,865	(\$ 1,207)	(\$ 262,930)	\$ 326,216	

## VI. Finance Overview

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Item	Balance as of January 1,2022	Additions	Deductions	Reclassifications	Balance as of December 31, 2022	Guaranteed or collateral	Footnote
Land	\$ -	\$ -	\$ -	\$ 357,858	\$ 357,858	No	
Buildings	-	-	-	101,888	101,888	"	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,746</u>	<u>\$ 459,746</u>		

Description: Listed according to land and buildings.



## VI. Finance Overview

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Item	Balance as of January 1,2022	Additions	Deductions	Reclassifications	Balance as of December 31, 2022	Footnote
Buildings	<u>\$ -</u>	<u>\$ 2,850</u>	<u>\$ -</u>	<u>\$ 11,836</u>	<u>\$ 14,686</u>	

## VI. Finance Overview

Type of borrowings	Description	Balance as of December 31, 2022	Contract Period	Pledges or collaterater
Secured borrowings	First Commercial Bank	\$ 5,000,000	2020/3/11~2023/5/3	Yes
"	Mega International Commercial Bank	2,500,000	2022/5/3~2025/5/2	"
Unsecured borrowings	Yuanta Commercial Bank Co., Ltd.	1,700,000	2022/12/2~2023/1/17	No
"	China Construction Bank	1,000,000	2022/9/20~2023/3/17	"
"	Bank of Taiwan	350,000	2022/10/21~2023/1/19	"
"	MUFG Bank, Ltd.	14,060,200	2020/8/5~2023/8/7	"
"	Mizuho Bank, Ltd.	17,200,000	2021/9/30~2024/9/9	"
"	Bank of Communications	1,800,000	2022/12/19~2023/3/17	"
"	Cathay United Bank	600,000	2022/10/21~2023/1/19	"
"	DBS Bank Ltd.	2,295,000	2022/9/12~2024/9/12	"
"	Metropolitan Bank	1,200,000	2022/9/19~2023/3/17	"
"	CTBC Bank Co., Ltd.	7,056,600	2022/8/30~2025/6/27	"
"	Far Eastern International Bank Co., Ltd.	1,000,000	2022/8/24~2025/8/22	"
	Valuation adjustment	( 465,465)		
		<u>\$ 55,296,335</u>		

Note: Before the cross-currency swap, the rate range of short-term loans were 0.55%~2.04% and 0.83%~2.24% respectively.

## VI. Finance Overview

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Description	Amount	Period
Guarantee commercial papers		
Sumitomo Mitsui Banking Corporation	\$ 10,000,000	2022/12/15~2023/2/21
CTBC Bank Co., Ltd.	7,943,400	2022/11/18~2023/1/9
Bank of Taiwan	350,000	2022/10/21~2023/1/19
Non-guarantee commercial papers	82,790,000	2022/3/24~2023/8/8
Less: Unamortized discount	( 121,635)	
	<u>\$ 100,961,765</u>	

Notes: Interest rate between 0.66% and 1.84%.

## VI. Finance Overview

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Item	Description	Amount	Footnote
Interest revenue		\$ 13,317,707	
Service revenue		1,216,396	
Sales revenue		530,235	
Finance leasing revenue		6,956	
Operating leasing revenue		160,420	
Others		3,655	
		<u>\$ 15,235,369</u>	

## VI. Finance Overview

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Item	Description	Amount	Footnote
Cost of sales		\$ 1,553,423	
Interest costs		1,651,566	
Rental costs		159,312	
Service costs		456,553	
Other costs		2,108	
		<u>\$ 3,822,962</u>	

## VI. Finance Overview

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<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commission expenses		\$ 3,727,291	
Wages and salaries		808,048	
Other expenses		<u>221,120</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 4,756,459</u>	

## VI. Finance Overview

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<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 438,155	
Court fees		130,131	
Other expenses		<u>462,128</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 1,030,414</u>	

## VI. Finance Overview

Function Nature	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ -	\$ 1,246,203	\$ 1,246,203	\$ -	\$ 1,195,130	\$ 1,195,130
Labour and health insurance fees	-	92,955	92,955	-	81,997	81,997
Pension costs	-	49,488	49,488	-	42,072	42,072
Directors' remuneration	-	4,083	4,083	-	7,223	7,223
Other personnel expenses	-	71,164	71,164	-	67,203	67,203
Depreciation	\$ 160,546	\$ 33,425	\$ 193,971	\$ 186,776	\$ 40,832	\$ 227,608

Note:

- A. As of December 31, 2022 and 2021, the number of employees was 1,027 and 965, respectively, including 9 and 8 non-employee directors, respectively.
- B. Average employee benefit expense in current year was \$1,434 ((Total employee benefit expense in current year–Total directors' compensation in current year)/(Number of employees in current year–Number of non-employee directors in current year)).  
Average employee benefit expense in previous year was \$1,449 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/(Number of employees in previous year – Number of non-employee directors in previous year)).
- C. Average employee salaries in current year was \$1,224 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee salaries in previous year was \$1,249 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).
- D. Adjustments of average employee salaries was (2.00%) ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).



## VI. Finance Overview

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E. The Company's Salary and Compensation Policy (including directors, managers and employees) is as follows:

(a) Directors

According to the Articles of Incorporation of the Company, directors' remuneration is determined by reference to the general pay levels of the industry and in accordance with the degree of business that they conducted, risk that they bear and their contribution and is submitted to the Board of Directors for resolution after being reviewed by the remuneration committee.

(b) Managers

Managers' remuneration is determined based on personal performance and contribution to the Company's overall operation, referring to the general pay levels of the industry and considering future operating risk and is submitted to the Board of Directors for resolution after being reviewed by the remuneration committee.

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. The abovementioned remuneration is distributed as resolved by the Board of Directors.

(c) Employees

Employees' salary is determined in accordance with education and experience background, professional knowledge and technique, seniority and personal performance of the employees. Bonus is distributed in line with the performance appraisal policy and operating performance.

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. The abovementioned remuneration is distributed as resolved by the Board of Directors.

6.6 Describe any Cash Flow Difficulties in the Company and its Affiliates During the Most Recent Year and as of the Date of This Annual Report, as well as the Effects on the Company's Financial Condition: N/A

## VII. Financial Status, Operating Results and Risk Management

### 7.1 Financial Condition

#### 7.1.1 IFRS (Consolidated)

Unit: NT\$ thousands

Item \ Year	2021	2022	Change	
			Amount	%
Current Assets	188,826,138	236,804,466	47,978,328	25.41%
Non-current assets	12,733,058	18,560,622	5,827,564	45.77%
<b>Total Assets</b>	201,559,196	255,365,088	53,805,892	26.69%
Current Liabilities	175,220,568	221,376,661	46,156,093	26.34%
Non-current liabilities	844,949	1,095,413	250,464	29.64%
<b>Total Liabilities</b>	176,065,517	222,472,074	46,406,557	26.36%
Share Capital	5,150,004	5,650,004	500,000	9.71%
Capital Surplus	8,000,217	12,510,367	4,510,150	56.38%
Retained Earnings	9,762,214	11,222,599	1,460,385	14.96%
Other Equity Interest	(157,171)	98,329	255,500	162.56%
Non-controlling Interest	2,738,415	3,411,715	673,300	24.59%
<b>Total Equity</b>	25,493,679	32,893,014	7,399,335	29.02%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes in the last two years:

1. Change in Current Assets by 25.41%: Due to the increase in notes and accounts receivable as a result of the growth in revenue.
2. Change in Non-Current Assets by 45.77%: Due to the increase in long-term notes and accounts receivable as a result of the growth in business.
3. Change in Current Liabilities by 26.34%: Due to the increase in short-term borrowings, short-term notes payable, and corporate bonds payable to meet capital requirements as a result of the growth in business.
4. Change in Non-Current Liabilities by 29.64%: Due to the increase in deferred income tax liabilities as a result of the increase in subsidiaries' long-term borrowings and the increase in investment income recognized during the year.
5. Change in Capital Surplus by 56.38%: Due to the issuance of additional preferred shares for cash capital increase.
6. Change in Other Equity by 162.56%: Due to the increase in the gains on cash flow hedge instruments.
7. Change in Non-controlling Interest by 24.59%: Due to the increase in non-controlling interest as a result of the recognition of investment income and the acquisition of shares of HEJUN Energy Co., Ltd.

## VII. Financial Status, Operating Results and Risk Management

### 7.1.2 IFRS (Individual)

Unit: NT\$ thousands

Item \ Year	2021	2022	Change	
			Amount	%
Current Assets	165,564,660	198,357,583	32,792,923	19.81%
Non-current assets	9,298,556	14,006,421	4,707,865	50.63%
<b>Total Assets</b>	174,863,216	212,364,004	37,500,788	21.45%
Current Liabilities	151,807,531	182,475,121	30,667,590	20.20%
Non-current liabilities	300,421	407,584	107,163	35.67%
<b>Total Liabilities</b>	152,107,952	182,882,705	30,774,753	20.23%
Share Capital	5,150,004	5,650,004	500,000	9.71%
Capital Surplus	8,000,217	12,510,367	4,510,150	56.38%
Retained Earnings	9,762,214	11,222,599	1,460,385	14.96%
Other Equity Interest	(157,171)	98,329	255,500	162.56%
<b>Total Equity</b>	22,755,264	29,481,299	6,726,035	29.56%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes in the last two years:

1. Change in Non-Current Assets by 50.63%: Due to the increase in long-term notes and accounts receivable as a result of the growth in business, the increase in equity-method investments in HEJUN Energy Co., Ltd. and the increase in property, plants, and equipment as a result of the acquisition of office space.
2. Change in Current Liabilities by 20.20%: Due to the increase in short-term borrowings, short-term notes payable, and corporate bonds payable to meet capital requirements as a result of the growth in business.
3. Change in Non-Current Liabilities by 35.67%: Due to the increase in deferred income tax liabilities as a result of the increase in investment income recognized during the year.
4. Change in Capital Surplus by 56.38%: Due to the issuance of additional preferred shares for cash capital increase.
5. Change in Other Equity by 162.56%: Due to the increase in the gains on cash flow hedge instruments.

## VII. Financial Status, Operating Results and Risk Management

### 7.2 Financial Performance

#### 7.2.1 IFRS (Consolidated)

Unit: NT\$ thousands

Item \ Year	2021	2022	Change	
			Amount	%
Operating Revenue	17,957,948	22,787,250	4,829,302	26.89%
Operating Costs	6,028,233	8,174,315	2,146,082	35.60%
<b>Gross Profit</b>	11,929,715	14,612,935	2,683,220	22.49%
Operating Expenses	7,607,667	9,862,531	2,254,864	29.64%
<b>Operating Profit</b>	4,322,048	4,750,404	428,356	9.91%
Non-Operating Income and Expenses	341,561	606,114	264,553	77.45%
<b>Profit Before Tax</b>	4,663,609	5,356,518	692,909	14.86%
Income Tax Expense	1,133,417	1,286,934	153,517	13.54%
Net Income	3,530,192	4,069,584	539,392	15.28%
Other Comprehensive Income (Loss)	(90,494)	281,385	371,879	410.94%
Comprehensive Income	3,439,698	4,350,969	911,271	26.49%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes in the last two years:

1. Change in Operating Revenue by 26.89%: Due to the increase in operating revenue as a result of the growth in business.
2. Change in Operating Costs by 35.60%: Due to the increase in operating costs as a result of the growth in business.
3. Change in Operating Gross Profit by 22.49%: Due to the increase in operating gross profit as a result of the growth in business.
4. Change in Operating Expenses by 29.64%: Due to the increase in operating expenses as a result of the growth in business.
5. Change in Non-Operating Income and Expenses by 77.45%: Due to the increase in local tax subsidies recognized by the subsidiary Hoyun International Leasing Co., Ltd.
6. Change in Other Comprehensive Income for the Period by 410.94%: Due to the recognition of exchange differences on the translation of subsidiaries' financial statements and the gain or loss on cash flow hedge instruments due to exchange rate fluctuations.
7. Change in Total Comprehensive Profit and Loss for the Period by 26.49%: Due to the increase in total comprehensive income for the period as a result of the growth in business.

## VII. Financial Status, Operating Results and Risk Management

### 7.2.2 IFRS (Individual)

Unit: NT\$ thousands

Item \ Year	2021	2022	Change	
			Amount	%
Operating Revenue	11,785,227	15,235,369	3,450,142	29.28%
Operating Costs	2,347,034	3,822,962	1,475,928	62.88%
<b>Gross Profit</b>	9,438,193	11,412,407	1,974,214	20.92%
Operating Expenses	5,893,293	7,269,389	1,376,096	23.35%
<b>Operating Profit</b>	3,544,900	4,143,018	598,118	16.87%
Non-Operating Income and Expenses	421,293	458,482	37,189	8.83%
<b>Profit Before Tax</b>	3,966,193	4,601,500	635,307	16.02%
Income Tax Expense	824,750	978,113	153,363	18.60%
Net Income	3,141,443	3,623,387	481,944	15.34%
Other Comprehensive Income (Loss)	(81,689)	255,500	337,189	412.77%
Comprehensive Income	3,059,754	3,878,887	819,133	26.77%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes in the last two years:

1. Change in Operating Revenue by 29.28%: Due to the increase in operating revenue as a result of the growth in business.
2. Change in Operating Costs by 62.88%: Due to the increase in operating costs as a result of the growth in business and the increase of borrowing amount and interest rate.
3. Change in Operating Gross Profit by 20.92%: Due to the increase in operating gross profit as a result of the growth in business.
4. Change in Operating Expenses by 23.35%: Due to the increase in operating expenses as a result of the growth in business.
5. Change in Other Comprehensive Income for the Period by 412.77%: Due to the recognition of exchange differences on the translation of subsidiaries' financial statements and the gain or loss on cash flow hedge instruments due to exchange rate fluctuations.
6. Change in Total Comprehensive for the Period by 26.77%: Due to the increase in net profit before tax as a result of the growth in business.

### 7.2.3 Projected Sales and Basis, Potential Effects on the Financial Condition of the Company, and Countermeasures

Since the Company has not issued any financial projections, information disclosure regarding projections (i.e., projected sales and its basis) does not apply. Overall, there is no significant abnormality in its operations, and therefore the Company does see a need to have relevant countermeasures in place at this time.

## VII. Financial Status, Operating Results and Risk Management

### 7.3 Cash Flows

#### 7.3.1 Cash Flows and Liquidity Analysis

Unit: NT\$ thousands

Item	2021	2022	Change	
			Amount	%
Cash from Operating Activities	(34,518,927)	(44,038,878)	(9,519,951)	27.58%
Cash from Investing Activities	(3,470,781)	(2,547,415)	923,366	-26.60%
Cash from Financing Activities	38,673,525	47,820,744	9,147,219	23.65%
Analysis of percentage changes: 1. Increase in Cash Outflows from Operating Activities: Mainly due to the increase in notes and accounts receivable as a result of the growth in business. 2. Decrease in Cash Outflows from Investing Activities: Mainly due to the decrease in acquisition of leased assets. 3. Increase in Cash Inflows From Financing Activities: Mainly due to the borrowing of short-term bills and short-term loans, and issuance of corporate bonds and preferred shares to support the growth in business.				

#### 7.3.2 Projection of FY2023 Cash Flow/Liquidity Analysis and Improvement Plan

Unit: NT\$ thousands

Cash and Cash Equivalents at Beginning of Year (1)	Projected Net Cash from Operating Activities (2)	Projected Net Cash from Investing Activities (3)	Projected Net Cash from Financing Activities (4)	Projected Surplus (Deficit) of Cash and Cash Equivalents at End of Year (5)=(1)+(2)+(3)+(4)	Measures for Managing Cash Deficit	
					Investment Plans	Financing Plans
2,382,775	(43,294,193)	(7,696,651)	49,662,152	1,054,083	-	-
(1) Analysis of projected cash flows for 2023: A. Outflows from Operating Activities: Due to the increase in accounts receivable as a result of the expected growth in business. B. Outflows from Investing Activities: Due to the increase in office equipment as a result of the expected growth in business. C. Inflows from Financing Activities: Due to the borrowing for funds and the issuance of corporate bonds to support the expansion of business. (2) Measures for managing potential cash deficit and liquidity analysis: the Group currently does not have any cash deficit issues.						

## VII. Financial Status, Operating Results and Risk Management

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### 7.4 Impact of Major Capital Expenditures in the Last Fiscal Year on the Financial Operations of the Company

In the last fiscal year, except for the purchase of the office space of the head office due to operations, the other capital expenditures were all routine leasing businesses and leased assets were obtained, which did not have a material adverse effect on the financial business.

#### 7.4.1 The Use of Major Capital Expenditures and Sources of Funds.

Item	Date	Source of Funds	Amount
Purchase of the office space	January, 2022	Equity capital	NT\$ 540,000 thousand

#### 7.4.2 Benefits Expected to Be Created:

The Group consolidates its various locations for operational expansion needs and for management coordination purposes, in order to further maximize operational synergies.

## VII. Financial Status, Operating Results and Risk Management

### 7.5 Investment Policy of the Last Fiscal Year, Reasons for Gains or Losses, Improvements, and Investment Plan for FY2023

#### 7.5.1 Investment Policy

The Company has adopted the *Procedures for the Acquisition and Disposition of Assets* pursuant to the *Regulations Governing the Acquisition and Disposition of Assets by Public Companies* as guidelines for the investments it makes, so that the Company can monitor the operations and financial condition of the entities it invests. Additionally, the Company has adopted the *Subsidiary Oversight and Management Guidelines* to govern the information disclosure, finance, sales, and financial management of the invested entities in order to enhance oversight and management, thereby maximizing investment income.

#### 7.5.2 Reasons for Investment Gains (Losses) Under the Investment Policy in the Last Fiscal Year and Future Investment Plan

Unit: NT\$ thousands

Company Name	Main Business Activities	Initial Amount of Investment	Recognized Investment Gains (Loss) in 2022	Reasons for Gains (Losses) and Improvement Plan	Future Investment Plan
Hoyun International Limited	Investment	1,240,684	446,605	This is a healthy business that continues to grow at a steady pace and generates profits.	-
HEJING Co., Ltd.	vehicle installment business	810,000	(49,367)	The operating scale is not yet sufficient to cover operating expenses, which has resulted in losses; when the scale of business is expanded, it is expected to cover operating expenses.	-
HEJUN Energy Co., Ltd.	Solar power generation related business	800,000	(23,020)	It was established in February 2022, and the scale of operations was not sufficient to cover operating expenses, resulting in a loss; when the scale of its operations expand, it is expected to be able to cover its operating expenses.	-
Hoing Mobility Service Co. Ltd.	car rental business	310,000	26,688	It is in good operating condition and is expected to continue to operate smoothly, resulting in profits.	-
Hotai Mobility Service Co., Ltd.	Taxi dispatch business	120,000	(12,000)	The operating scale is not yet sufficient to cover operating expenses, which has resulted in losses; when the scale of business is expanded, it is expected to cover operating expenses.	-



## VII. Financial Status, Operating Results and Risk Management

### 7.6 Evaluation of Risk Factors

#### 7.6.1 Impact of Interest Rates, Foreign Exchange, and Inflation on the Gains (Losses) of the Company, and Risk Management Measures

##### (1) Interest rate risk

The interest expenses of HFC and its subsidiaries in 2022 were 2,572,427 thousand, which accounted for 11.29% of the operating income. The main business activities of HFC and its subsidiaries are vehicle and equipment installment, vehicle and equipment leasing, and collection and management of accounts receivables (factoring), which require a large amount of external funds, and these funds are mainly financed by financial institutions. Whenever the maturity date, repricing date, or amount of an interest-bearing asset or liability of HFC and its subsidiaries differs, it exposes HFC and its subsidiaries to interest rate risk, resulting in future cash flow fluctuations. Depending on the market condition and capital availability, HFC and its subsidiaries issue corporate bonds, undertake mid to long-term loans and commercial papers with fixed interest rates, and routinely implement interest rate risk analysis using internal operating procedures to control the risks. In addition, HFC has entered into interest rate swap contracts with financial institutions with good credit ratings and locked in long-term loan interest to effectively reduce risks associated with future rise of interest rate.

##### (2) Foreign exchange risk

Unit: NT\$ thousands; %

Item	2022
Foreign Exchange Gains (Losses)	(3,606)
Net Operating Revenue	22,787,250
Operating Margin	4,750,404
Foreign Exchange Gains (Losses) to Net Operating Revenue Ratio	(0.02%)
Foreign Exchange Gains (Losses) to Operating Margin Ratio	(0.08%)

- A. HFC and its subsidiaries have operations worldwide, and are therefore exposed to risks associated with different functional currencies, primarily the U.S. dollars. The foreign exchange risk mainly arises from future business transactions and assets and liabilities recognized.
- B. The management of HFC and its subsidiaries has established a policy that requires each group company to manage foreign exchange transaction risk arising from their functional currencies. Through their own financial departments, each group company has to hedge its foreign currency exposure.

## VII. Financial Status, Operating Results and Risk Management

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C. Currently, HFC and its subsidiaries use interest rate swaps and currency swaps to hedge foreign exchange exposure arising from foreign currency loans from financial institutions, locking in long-term loan interest to effectively reduce risks associated with future rise of interest rate. As for financial assets and liabilities that are hedged, HFC will defer recognition as cash flow hedge provision under other comprehensive gains (losses), which will be directly included in foreign exchange gains (losses) and financial costs when the principal or interests of hedged items are paid subsequently.

In summary, HFC and its subsidiaries are able to reduce foreign exchange risks to an acceptable level by undertaking currency swaps and interest rate swaps.

### (3) Inflation Risk

Inflation and deflation both can reduce economic efficiency, terminate savings and investment decisions, and lower the efficiency of using market price as resource allocation mechanism, which have adverse effects on macroeconomic and microeconomic performance. These fluctuations could have a negative impact on the business operations of our customers, who might be forced to make plans for their financing needs under uncertain macroeconomic and microeconomic environment. Consequently, the anticipation of inflation or deflation by the market and the customers could result in unpredictable fluctuations in our financial products and services. That said, our gains and losses have never been majorly impacted by inflation or deflation in the past, and we take steps to monitor changes in the global economy and maintain an open communication with our customers. Therefore, we are confident that we can manage the impact of inflation and deflation on the macroeconomic environment.

### 7.6.2 Policies for High-risk Leveraged Investments, Lending Activities, Endorsement and Guarantee of Obligations, Transactions in Financial Derivatives, and Reasons for Gains (Losses), as well as Risk Management Measures:

#### (1) High-risk leveraged investment

HFC and its subsidiaries have always been dedicated to HFC's core business activities and take a practical approach in managing the business, and its financial policy is to make conservative but solid investments. HFC and its subsidiaries have not engaged in any high-risk leveraged investment in the last fiscal year and as of the date of this annual report.

#### (2) Lending activities

HFC and its subsidiaries, pursuant to the applicable laws and regulations of the competent authority, have established the *Lending Procedures* as our operation guidelines. All lending activities have followed the *Lending Procedures* to propose to the Board of Directors for approval and to process accordingly, and caused no major impact

## VII. Financial Status, Operating Results and Risk Management

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on the financial conditions of HFC and its subsidiaries. All the lending activities in 2022 are required for normal business operations in our subsidiaries and have caused no loan loss.

### (3) Endorsement and guarantee of obligations

HFC and its subsidiaries, pursuant to the applicable laws and regulations of the competent authority, have adopted the *Procedures for Providing Endorsement and Guarantee of Obligations* as guidelines for processing the endorsement and guarantee of obligations for third parties. Considered that HFC is fully informed on the credit status of its subsidiaries, the endorsement and guarantee of obligations should not have any adverse impact on the future financial condition of HFC or its subsidiaries.

### (4) Transaction in financial derivatives

HFC and its subsidiaries have adopted the *Procedures for the Transactions of Financial Derivatives* pursuant to the *Regulations Governing the Acquisition and Disposition of Assets by Public Companies* as guidelines in processing financial derivative transactions. HFC and its subsidiaries mainly use derivative financial instruments for the purpose of hedging risks associated with its operations. The counterparties of these transactions are mostly financial institutions with whom we have existing business relationship, and the derivative financial instrument undertaken is mainly used to hedge interest rate risk, foreign exchange risk, and foreign exchange swaps. Since HFC and its subsidiaries have only entered into interest rate and foreign exchange swaps with financial institutions that have high credit ratings, the possibility of a breach is low. Therefore, the transactions should not have any major impact on HFC.

### 7.6.3 Future R&D Programs and Projected R&D Expenses

HFC is not in the business of manufacturing and processing. We do not have a product R&D department, nor have we created a R&D budget or incurred relevant expenses.

Our Planning Department and Risk Management Department are dedicated to developing and designing financial installment products, and researching and implementing new business models. We also take advantage of big data analytics to effectively improve the operation process and enhance the competitiveness of new products. Moving forward, HFC will continue to explore and develop new business opportunities, introduce financial technologies, upgrade existing products of vehicle and equipment with the goal to become a multifaceted financial business that offers customers with premium financial installment services.

### 7.6.4 Impact of Domestic and International Policy and Regulatory Changes on the

## VII. Financial Status, Operating Results and Risk Management

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### Financial Condition and Operations of the Company as well as Risk Management Measures

In 2022, global inflation led to several interest rate hikes by the U.S. Federal Reserve and corresponding rate hikes by Taiwan's central bank. The Company has conducted a comprehensive review of interest rates for each product and has raised the interest rates for each product to meet the rising cost of capital due to the increase in interest rates. The Company will continue to closely monitor relevant laws and policies that may affect the Company's business and operations and take appropriate countermeasures in the future.

#### 7.6.5 Impact of Changes in Technology and Industry on the Company's Financial Condition and Operations as well as Risk Management Measures

The Company and its subsidiaries are mainly engaged in the businesses of installment of vehicles and equipment, leasing of vehicles and equipment, and purchase and management of accounts receivable, so the risk of changes in financial instruments is relatively low. Because our customers come from a variety of industries, the Company and its subsidiaries continue to increase the number of the case review staff and improve the credit investigation tools to minimize the risk of bad debts and to reduce the chance of the Company's operations being affected by changes in these industries. The Company and its subsidiaries have established relevant operating procedures to effectuate the internal control system and maintain information security, and regularly review and evaluate relevant processes to ensure their appropriateness and effectiveness in order to reduce information security risks. In December 2022, HFC received ISO27001 (Information Security Management System) certification. Therefore, as of the date of publication of the Annual Report, there has been no material impact on the Company's financial and business matters due to technological changes or information security risks.

#### 7.6.6 Impact of Brand Image Change on Crisis Management and Risk Management Measures

Under its customer first, profession based (顧客為先、專業為本) business principles, the Company provides customers with professional installment services, and continue to develop a diverse product portfolio and payment options to increase customer satisfaction. Since its incorporation, HFC has not only become an ISO 9001 certified business but also received numerous awards, which are evidence of having a positive brand image. There have not been any changes in the last fiscal year and as of the date of this annual report that would materially impact the crisis management of HFC due to a change in the brand image.

## VII. Financial Status, Operating Results and Risk Management

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### 7.6.7 Expected Benefits of Mergers and Acquisitions, Risks Associated, and Risk Management Measures

There has not been any plan of merger or acquisition in the last fiscal year and as of the date of this annual report. The Company will carefully evaluate the synergy of any future merger or acquisition plans to ensure the rights and interests of shareholders and employees.

### 7.6.8 Expected Benefits of Capacity Expansion, Risks Associated, and Risk Management Measures

HFC and its subsidiaries engage in the installment and leasing business and provide financial services to individuals and corporations. No risks associated were found.

### 7.6.9 Risks Associated with Concentration of Sales and Risk Management Measures

HFC and its subsidiaries did not have any sales customers accounting for 10% or more of the operating revenues in 2022. Therefore, no concentration of sales with a single customer was observed. During the same time period, as the purchasing and distribution model of HFC's installment business was to help customers resolve cash flow problems, HFC would purchase vehicles and equipment needed on behalf of the customers under a conditional sales agreement, which creates no distribution profits for HFC. When the customers repay the purchase price in installment, HFC will then receive interest payment. Since the lease business of HFC and our subsidiaries will incur costs of goods sold from lease termination due to sale, the actual transaction is not a purchase and does not rely on any particular supplier. Therefore, risks associated with purchase or sales concentration do not materially impact the financial condition or operations of HFC or its subsidiaries.

### 7.6.10 Impact of Transfer of Significant Number of Shares by Directors, and/or Major Shareholders Holding More Than 10% of the Total Outstanding Shares, Risks Associated, and Risk Management Measures

In the last fiscal year and as of the date of this annual report, there was no significant transfer of shareholding by the directors or major shareholders holding more than 10% of the shares of the Company.

### 7.6.11 Impact of Change in Ownership, Risks Associated, and Risk Management Measures

There has not been any change in the ownership of HFC in the last fiscal year and as of the date of this annual report. HFC continues to strengthen its corporate governance to protect all shareholders' rights and interests. Under the management of professional managers, HFC has been growing at a steady rate every year and maintains a leading position in the vehicle installment market. Under the support of the shareholders, a change in ownership is very unlikely, and should not be considered as an unfavorable factor.

## VII. Financial Status, Operating Results and Risk Management

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7.6.12 Disclosure of issues in dispute, amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the last fiscal year and as of the date of this annual report where the company and/or any of its directors, president, person in charge, major shareholders holding more than 10% of the Company's shares, subsidiaries or affiliates are involved in pending litigation, legal proceedings, or administrative proceedings, or a judgement or ruling without prejudice which may have a material adverse effect on the company's shareholder equity or price of securities: N/A

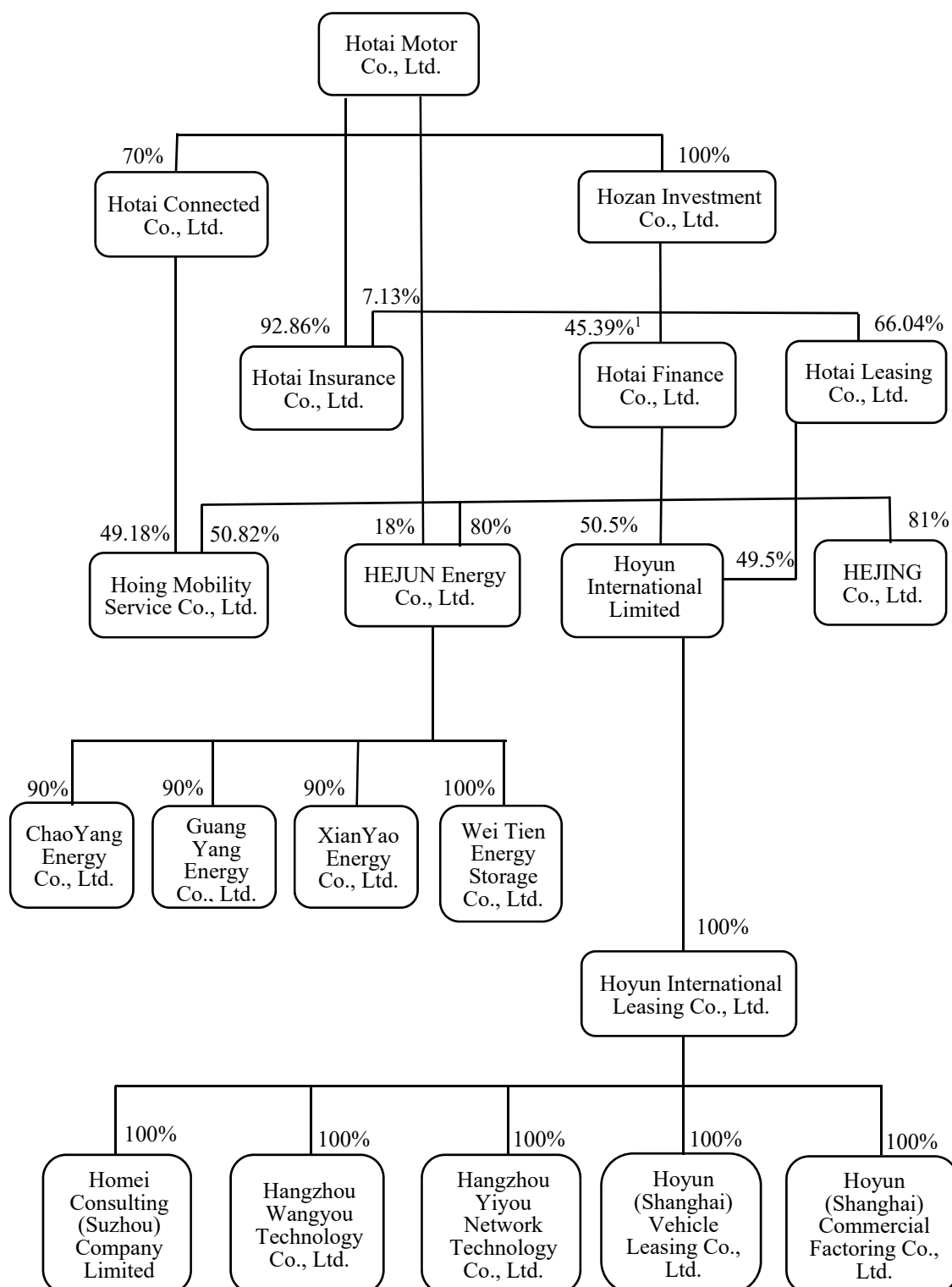
7.6.13 Other Material Risks and Risk Management Measures: N/A

7.7 Other Material Disclosures: N/A

## VIII. Specific Notes

### 8.1 Subsidiaries

#### 8.1.1 Corporate Group Structure (as of December 31, 2022)



Note: Excluding preferred stocks.

## VIII. Specific Notes

### 8.1.2 Profiles of Subsidiaries

As of December 31, 2022

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Hoyun International Limited	January 27, 2006	Wickhams Cay II, Road Town, Tortola, British Virgin Islands	US\$80,000,000	General investment
Hoyun International Leasing Co., Ltd.	January 29, 2007	Building D, 9F, No. 427, Nujiang N. Rd., Putuo Dist., Shanghai City, China	US\$80,000,000	Leasing, wholesale, retail and support service for vehicles and equipment
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	August 7, 2014	Room A72, 1F, No. 477, Fute West 1 <sup>st</sup> Rd., Pilot Free Trade Zone, Shanghai, China	RMB\$50,000,000	Factoring service
Hoyun (Shanghai) Vehicle Leasing Ltd.	February 8, 2021	Room 901, 9F, No. 427, Nujiang N. Rd., Putuo Dist., Shanghai City, China	RMB\$150,000,000	Leasing of vehicles
Hangzhou Yiyou Network Technology Co., Ltd.	January 27, 2021	(hosting 20551) Room 2102-1, No. 258 Zhonghe Middle Road, Shangcheng District, Hangzhou City, Zhejiang Province	RMB\$100,000	Leasing business
Hangzhou Wangyou Technology Co., Ltd.	January 28, 2021	(hosting 20550) Room 2102-1, No. 258 Zhonghe Middle Road, Shangcheng District, Hangzhou City, Zhejiang Province	RMB\$100,000	Leasing business
Homei Consulting (Suzhou) Company Limited	June 30, 2022	Room 2102, Building 1, No. 456 East Suzhou Avenue, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	RMB\$100,000	Consulting service
HEJING Co., Ltd.	October 26, 2021	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$1,000,000,000	Installment sales of various vehicles
Hoing Mobility Service Co. Ltd.	October 24, 2018	5F, No. 99, Sec. 2, Chang'an E Rd., Zhongshan Dist., Taipei City	NT\$610,000,000	Leasing of passenger car
HEJUN Energy Co., Ltd.	February 22, 2022	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$1,000,000,000	Solar energy business
Guang Yang Energy Co., Ltd.	August 10, 2010	No. 1-150, Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan	NT\$100,000	Solar energy business
Chaoyang Energy Co., Ltd.	November 6, 2019	No. 1-150, Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan	NT\$10,000,000	Solar energy business
XianYao Energy Co., Ltd.	April 13, 2021	No. 1-83, Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan	NT\$100,000	Solar energy business
Wei Tien Energy Storage Co., Ltd.	November 18, 2021	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$22,000,000	Energy storage business

8.1.3 Information on the overlapping shareholders of any entity which is considered controlled by, subordinated to, or affiliated with HFC pursuant to Article 369-3 of the *Company Act*: N/A

8.1.4 Industries associated with the business activities conducted by the subsidiaries of HFC: see “8.1.2 Profiles of Subsidiaries”.



## VIII. Specific Notes

### 8.1.5 Directors, Supervisors, and Presidents of Subsidiaries

As of December 31, 2022

Company Name	Title	Names/Representatives	Share Ownership	
			Number	Percentage
Hoyun International Limited	Director	Su, Shyh-Pan; Huang, Wen-Jui; Ko, Wen-Shen	40,400	50.5%
Hoyun International Leasing Co., Ltd.	Director	Hoyun International Limited, represented by Lin, Yen-Liang, Su, Chwen-Shing, Ryan Huang, Leon Soo, and Masayoshi Hori	(note)	50.5%
	Supervisor	Hoyun International Limited, represented by Ko, Wang-Teh		
	President	Lee, Jia-Feng		
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Managing Director	Hoyun International Leasing Co., Ltd., represented by Lin, Yen-Liang	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Ko, Wang-Teh		
Hoyun (Shanghai) Vehicle Leasing Ltd.	Managing Director	Hoyun International Leasing Co., Ltd., represented by Lin, Yen-Liang	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Ko, Wang-Teh		
Hangzhou Yiyou Network Technology Co., Ltd	Managing Director	Hoyun International Leasing Co., Ltd. represented by Lee, Jia-Feng	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Ko, Wang-Teh		
Hangzhou Wangyou Technology Co., Ltd.	Managing Director	Hoyun International Leasing Co., Ltd. represented by Lee, Jia-Feng	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Ko, Wang-Teh		
Homei Consulting (Suzhou) Company Limited	Managing Director	Hoyun International Leasing Co., Ltd. Representative: Lee, Jia-Feng	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Chen, Shou-Shin		
HEJING Co., Ltd.	Director	Hotai Finance Co., Ltd. represented by Liu, Yuan-Sheng, Lin, Yen-Liang, and Liao, Wen-Chun	81,000	81%
	Supervisor	Hozao Enterprise Co., Ltd., represented by Leon Soo		
	President	Lin, Yen-Liang		
Hoing Mobility Service Co. Ltd.	Director	Hotai Cyber Connection Co., Ltd., represented by Hsieh, Fu-Lai, Huang, Nan-Guang, Su, Chwen-Shing, Leon Soo, Huang, Cheng-yang, Lin, Yen-liang, and Masayoshi Hori	31,000,000	50.82%
	Supervisor	Hotai Finance Co., Ltd. represented by Issei Naguma, and Su, Se-Yi		
	President	Hsieh, Fu-Lai,		
HEJUN Energy	Director	Hotai Finance Co., Ltd. represented by	80,000	80%

## VIII. Specific Notes

Company Name	Title	Names/Representatives	Share Ownership	
			Number	Percentage
Co., Ltd.		Liu, Yuan-Sheng · Lin, Yen-Liang · Wu, Chia-Yen		
	Supervisor	Hotai Motor Co., Ltd. represented by Charles Huang		
	President	Lin, Yang-Liang		
Guang Yang Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Lin, Yen-Liang	9	90%
	Supervisor	Yang, Kai-Jung		
ChaoYang Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Lin, Yen-Liang	900	90%
	Supervisor	Yang, Kai-Jung		
XianYao Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Lin, Yen-Liang	9	90%
	Supervisor	Yang, Kai-Jung		
Wei Tien Energy Storage Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Lin, Yen-Liang	2,200	100%

Note: These companies are limited companies which do not have issued shares.

## VIII. Specific Notes

### 8.1.6 Financial Highlights of Subsidiaries

All the dollar amounts are either in thousands of NT\$ or other currencies

Company Name	Capital	Total Assets	Total Liabilities	Net Asset Value	Operating Revenue	Operating Profit	Net Profit (Loss) for the Period	Net Earnings Per Share (NT\$)
Hoyun International Limited	US\$80,000	5,471,827	—	5,471,827	—	—	884,368	Note 1
Hoyun International Leasing Co., Ltd.	US\$80,000	29,680,869	24,209,042	5,471,827	3,654,842	719,460	884,368	Note 1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	RMB\$50,000	700,633	431,368	269,265	52,176	27,590	18,311	Note 1
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	RMB\$150,000	643,118	61,943	581,175	108,334	46,923	35,200	Note 1
Hangzhou Yiyou Network Technology Co., Ltd.	RMB\$100	6,466	—	6,466	—	—	—	Note 1
Hangzhou Wangyou Technology Co., Ltd.	RMB\$100	1,876	—	1,876	—	—	—	Note 1
Homei Consulting (Suzhou) Company Limited	RMB\$100	441	—	441	—	—	—	Note 1
HEJING Co., Ltd.	1,000,000	11,727,644	10,800,391	927,253	249,476	-63,761	-60,947	-0.61
Hoing Mobility Service Co. Ltd.	610,000	4,910,477	4,236,267	674,210	3,633,448	-29,109	52,515	0.86
HEJUN Energy Co., Ltd.	1,000,000	1,178,617	207,392	971,225	11,964	-23,635	-28,775	-0.29
Guang Yang Energy Co., Ltd.	100	83,961	83,843	118	4,112	413	453	45.32
ChaoYang Energy Co., Ltd.	10,000	112,817	102,123	10,694	5,311	1,374	1,212	1.21
XianYao Energy Co., Ltd.	100	66,402	65,605	797	3,690	555	522	52.22
Wei Tien Energy Storage Co., Ltd.	22,000	21,911	372	21,539	—	-464	-461	-0.21

Note 1: These companies are limited companies and have no EPS.

Note 2: In the event that the subsidiary is a company registered overseas, figures in the balance sheet are converted based on the foreign exchange rates dated December 31, 2022 (USD:TWD=1: 30.7100; CNY:USD =1: 6.9575); figures in the income statement are converted based on the average exchange rates for the period from January 1, 2022 to December 31, 2022 (USD : TWD=1 : 29.8045 ; CNY : USD =1 : 6.7344)

## VIII. Specific Notes

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### 8.1.7 Consolidated Financial Statements of Affiliated Companies

Hotai Finance Co., Ltd.

Letter of Representation (Relating to the Combined Financial Statements)

The entities that are required to be included in the combined financial statements of Hotai Finance Co., Ltd. (“HFC”) for the year ended December 31, 2022 under the *Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Entities* are identical to those that are included in the consolidated financial statements prepared in conformity with IFRS 10. In addition, the information required to be disclosed by the combined financial statements have been disclosed in the consolidated financial statements. Therefore, we will not be preparing a separate set of combined financial statements.

Hotai Finance Co., Ltd.

Liu, Yuan-Sheng

*Chairman*

March 9, 2023

## VIII. Specific Notes

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### 8.1.8 Affiliation Report

Hotai Finance Co., Ltd.

Letter of Representation (Relating to the Affiliation Report)

The affiliation report of Hotai Finance Co., Ltd. for the year ended December 31, 2022 is prepared according to the *Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Entities*, and there are no material inconsistencies between the information disclosed in the affiliation report and those disclosed in the notes to the financial report for the above time period.

Hotai Finance Co., Ltd.

Liu, Yuan-Sheng

*Chairman*

March 9, 2023

## VIII. Specific Notes

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Hotai Finance Co., Ltd.

### Auditor's Report on the Review of Affiliation Report

To: Hotai Finance Co., Ltd. ("HFC")

Based on the letter of representation of HFC and our review, the affiliation report of HFC for the year ended December 31, 2022 is prepared according to the *Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Entities*, and no material inconsistencies were found between the information disclosed in the affiliation report and those disclosed in the notes to the financial report for the above time period.

We have reviewed and compared the affiliation report of HFC for the year ended December 31, 2022 pursuant to the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Entities* with the notes to the financial report of HFC for the year ended December 31, 2022, and have not found any material inconsistencies in the above representation.

Wang, Fang-Yu

*Auditor*

Hsiao, Chun-Yuan

*Auditor*

PricewaterhouseCoopers Taiwan

Financial Supervisory Commission

Release No.: Jin Guan Zheng Shen Zi 1030027246

Securities and Futures Bureau, Financial Supervisory Commission (formerly under the Executive Yuan)

Release No.: Jin Guan Zheng Liu Zi 0960042326

March 9, 2023

## VIII. Specific Notes

Hotai Finance Co., Ltd.

2022 Affiliation Report

### 1. Overview of relationships between subsidiaries and parent

HFC is controlled by Hozan Investment Co., Ltd., whose ultimate parent is Hotai Motor Co., Ltd. The information is as follows:

Unit: shares; %

Parent	Reason for Control	Share Ownership and Pledge			Directors, Supervisors or Managerial Officers Appointed by the Parent	
		Number of Shares <i>Note</i>	Percentage <i>Note</i>	Number of Pledged Shares	Title	Name
Hozan Investment Co., Ltd.	Control is presumed to exist	233,782,831	45.39%	-	Chairman	Liu, Yuan-Sheng
					Director	Su, Chwen-Shing
					Director	Roger Huang
					Director	Leon Soo
					Director	Ryan Huang
Hotai Motor Co., Ltd.	Ultimate parent	-	-	-	-	-

Note: Excluding preferred stocks.

### 2. Transactions between subsidiaries and parent

Transactions between HFC, Hozan Investment Co., Ltd. and the ultimate parent, Hotai Motors Co., Ltd. in 2022 are as follows:

- (a) Purchasing and sales: N/A
- (b) Properties: N/A
- (c) Financing and loans: N/A
- (d) Lease of assets:

## VIII. Specific Notes

Unit: NT\$ thousands

Parent	Type of Transaction	Property		Term of Lease	Lease Classification (Note 2)	Basis of Rent	Payment Method	Compared to Average Rent	Total Rent for the Period	Other Terms and Conditions (Note 2)
		Property Type	Location							
Hotai Motor Co., Ltd.	Lease	Office	11F, No. 121, Songjiang Rd., Taipei City	January 2021 to March 2022 (Note 3)	Capitalized	Same as the average leases	Wire transfer	Comparable	\$ 1,635	-
	Lease	Office	4F, Yanxiu Building, No. 10, Mingjhong St., Xinzhuang Dist., New Taipei City	January 2021 to December 2023	Capitalized	Same as the average leases	Wire transfer	Comparable	\$ 3,814	-

Note 1: Describe whether the lease is classified as capitalized or operating. Pursuant to IFRS 16, HFC recognizes and measures a right-of-use asset at cost at the lease commencement date.

Note 2: Any other encumbrances created on the leased property should be noted (e.g., surface rights, dian, easement)

Note 3: The Board meeting dated March 8, 2022 has approved to terminate such lease early on March 31, 2022.

(e) Other important transactions

Unit: NT\$ thousands

Parent	Transaction with the Parent		Terms and Conditions of the Transaction with the Parent	Terms and Conditions of Other Transactions	Reasons for Difference	Remarks
	Account	Amount	Credit Period	Credit Period		
Hotai Motor Co., Ltd.	Using installment payment difference to compensate for income (accounting entry-interest income)	NT\$ 195,127	Open account of 30 to 40 days	Open account of 30 to 40 days	No material difference was found	—

3. Endorsement and guarantee of obligations between subsidiaries and parent: N/A
4. Other items that would have a material impact on the financial condition or operations of HFC: N/A



## VIII. Specific Notes

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- 8.2 Private placement of securities in the last fiscal year and as of the date of this annual report: N/A
- 8.3 Shareholding or disposition of shares of HFC by any subsidiaries in the last fiscal year and as of the date of this annual report: N/A
- 8.4 Other Required Disclosures:
- 8.4.1 Any event in the last fiscal year and as of the date of this annual report which has a material effect on shareholder equity or price of the securities stipulated under Article 36, Paragraph 3, Subparagraph 2 of the *Securities and Exchange Act*: N/A
- 8.4.2 Other required disclosures in the last fiscal year and as of the date of this annual report: N/A



## **HOTAI FINANCE CORPORATION**

10f., No.605, Ruiguang Rd., Neihu Dist.,  
Taipei City 114698, Taiwan(R.O.C.)

TEL:+886-2-2502-4567 FAX:+886-2-2501-0095

<https://www.hfcfinance.com.tw>