

Hotai Finance Corporation

Procedures for Handling Material Inside Information

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Chapter 1 General provisions

Article 1 The Procedures are specifically adopted to establish sound mechanisms for the handling and disclosure of material inside information by the Company in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by the Company to the public.

Article 2 The Company shall implement its handling and disclosure of material inside information in accordance with applicable laws and regulations, the rules and regulations of the Taiwan Stock Exchange Corporation (hereinafter TWSE) and the Procedures.

Article 3 The Procedures shall apply to all directors, managerial officers and employees of the Company.
The Company shall ensure that any other person who acquires knowledge of the Company's material inside information due to their position, profession or relationship of control shall comply with the applicable provisions of the Procedures.

Article 4 Material Inside Information in the Procedures refers to information that is defined as information that has or will have a material impact pursuant to the provisions set out in the Securities and Exchange Act and its applicable laws and regulations and in the applicable laws and regulations of TWSE and its scope includes:

1. Matters that require public announcements or filing pursuant to the by laws governing the foregoing prescribed by the competent authority upon authorization given by Article 36-1 of the Securities and Exchange Act;
2. The provisions set out in Article 157-1 of the Securities and Exchange Act and the matters specified by the Regulations Governing the Scope of Material Information and the Means of Its Disclosure stipulated by the Financial Supervisory Commission pursuant thereto;
3. Matters set out in Article 7 of the Securities and Exchange Act Enforcement Rules; and
4. Material information defined by the Taiwan Stock Exchange Corporation Procedures for Verification of Material Information of Companies with Listed Securities promulgated by TWSE.

Article 5 The Company shall establish a unit charged with handling material inside information. The responsible unit shall be composed of an adequate number of competent members in accordance with the size, business conditions and management needs of the Company. The unit shall have the following functions and authorities:

1. Responsibility for formulating the drafts of the Procedures and any amendments thereto;
2. Responsibility for receiving inquiries in connection with the methods of handling material inside information and for consultation, review and recommendations relating to the Procedures;
3. Responsibility for receiving reports on unauthorized disclosure of material inside information and formulation of corresponding measures;
4. Responsibility for designing a system for preserving all documents, files, electronic records and other materials related to the Procedures; and
5. Other activities related to the Procedures.

Chapter 2 Operational procedures for confidentiality of material inside information

Article 6 The Company's directors, managerial offices and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties and shall sign confidentiality agreements.

No director, managerial officer or employee with knowledge of material inside information of the Company shall divulge the information to others.

No director, managerial officer or employee of the Company shall inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information nor shall they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.

According to the laws and regulations, the directors of the Company shall not trade the Company's stock during the closed periods, which are 30 days before the announcement of the annual financial reports and 15 days before the announcement of the quarterly financial report.

Article 7 Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by email or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures.

Files and documents containing the Company's material inside information shall be backed up and stored a secure location.

Article 8 The Company shall ensure that the firewalls specified in the preceding two articles are established and take the following additional steps:

1. Adopt adequate control measures for the firewalls and perform periodic testing; and
2. Enhance measures for custody and maintaining the secrecy of files and documents containing non-public material inside information of the Company.

Article 9 Any organization or person outside of the Company that is involved in any corporate action of the Company relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plan or the signing of a major contract shall be required to sign a confidentiality agreement and shall not disclose to another party any material inside information of the Company's thus acquired.

Chapter 3 Procedures for handling disclosure of material inside information

Article 10 The Company shall comply with the following principles when making external disclosures of material inside information:

1. The information disclosed shall be accurate, complete and timely;
2. There shall be a well-founded basis for the information disclosed; and
3. The information shall be disclosed fairly.

Article 11 Any disclosure of the Company's material inside information, except as otherwise provided by law or regulation, shall be made by the Company's spokesperson or by a deputy spokesperson acting in such capacity in a confirmed sequential order. When necessary, the disclosure shall be made directly by a responsible person of the Company.

The Company's spokesperson or deputy spokesperson shall communicate to outside parties only information within the scope authorized by the Company and no Personnel other than those serving as the Company's responsible person, spokesperson or deputy spokesperson shall disclose any material inside information of the Company to outside parties without authorization.

Article 12 The Company shall keep record of the following in respect of any disclosure of information to outside parties:

1. The person who discloses the information, the date and the time;
2. How the information is disclosed;
3. What information is disclosed;
4. What written material is delivered; and
5. Any other relevant details.

Article 13 If a media agency releases information that is in any respect inconsistent with material information disclosed by the Company, the Company shall

promptly issue a clarification on the Market Observation Post System (MOPS) and request the media agency to correct the information.

Chapter 4 Handling of unusual events (reporting and disciplinary measures)

Article 14 Any director, managerial officer or employee of the Company that becomes aware of any unauthorized disclosure of the Company's material inside information shall report to the responsible unit and the internal audit department of the Company as soon as practicable.

Upon receipt of a report made pursuant to the preceding paragraph, the responsible unit shall formulate corresponding measure. When necessary, it may invite members from the internal audit and other departments to meet for discussion of the measures and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.

Article 15 The Company shall take measures to discover those responsible and take appropriate legal actions against any personnel under either of the following circumstances:

1. Personnel of the Company disclose material inside information without authorization to any outside party or otherwise violate the Procedures or any other applicable law or regulation; and
2. A spokesperson or deputy spokesperson of the Company communicates to any outside party any information beyond the scope authorized by the Company or otherwise violates the Procedures or any other applicable law or regulation.

If any person outside the Company divulges any material inside information of the Company, thereby causing damage to any property or interest of the Company, the Company shall pursue appropriate measures to hold the person divulging the information legally liable.

Chapter 5 Internal controls and awareness campaigns

Article 16 The Procedures shall be incorporated into the Company's internal control system. The internal auditors shall keep themselves regularly informed of the status of compliance with the Procedures and shall prepare related audit reports so as to ensure full implementation of the procedures for handling material inside information.

Article 17 At least once per year, the Company shall conduct educational campaigns to promote awareness among all directors, managerial officers and employees with respect to the Procedures and related laws and regulations.

The Company shall also provide educational campaigns to new directors, managerial officers and employees in a timely manner.

Chapter 6 Supplementary provision

Article 18 The Procedures and any amendments thereto shall be implemented upon approval by the board of directors.