



HOTAI FINANCE CORPORATION

2023 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.)



Hotai Finance Corporation annual report is available
at: Taiwan Stock Exchange Market Observation Post
System: <https://mops.twse.com.tw>
Company website: <https://www.hfcfinance.com.tw>
Published on

I. Information of Spokesperson :

<u>Item</u>	<u>Spokesperson</u>	<u>Acting Spokesperson</u>
Name	Wen-Chung Liao	Chin-Tso Liao
Title	Senior Vice President	Senior Manager
Phone	(02)2502-4567	(02)2502-4567
Email	HFC-INVESTOR@hfcfinance.com.tw	HFC-INVESTOR@hfcfinance.com.tw

II. Information of Headquarter :

Address: 10F, No. 605, Ruiguang Rd., Neihu District, Taipei, Taiwan

Phone: +886-2-2502-4567

III. Information of Stock Transfer Agent :

Name: Stock Affairs Agency Department, Taishin Securities Co., Ltd. Corporate Website :
<https://www.tssco.com.tw>
Address: B1F, No. 96, Sec. 1, Jianguo N Rd., Phone: +886-2-2504-8125
Zhongshan District, Taipei, Taiwan

IV. Information of External Auditors

External Auditors : Chun-Yuan Hsiao and Chia-Hung Lin

Accounting Firm : Corporate Website :
PricewaterhouseCoopers Taiwan <https://www.pwc.tw>
Address : 27 F, No. 333, Sec. 1, Keelung Phone: +886-2-2729-6666
Rd., Xinyi District, Taipei, Taiwan

V. Information of Overseas Securities Exchange: N/A

VI. Corporate Website : <https://www.hfcfinance.com.tw/>

Hotai Finance Co., Ltd.

Contents

	Pages
I. Letter to Shareholders	1
II. Corporate Overview	3
2.1 Date of Incorporation	3
2.2 Company Timeline	3
III. Corporate Governance	5
3.1 Organizational Structure	5
3.2 Directors, President, Vice President, Senior Managers, and Department and Divisional Executive Officers	7
3.3 Remuneration of Directors, Supervisors, President, Vice President, and Senior Managers in the Last Fiscal Year	17
3.4. Corporate Governance	22
3.5 Audit Fees	64
3.6 Disclosure of Change of Auditors.....	65
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	65
3.8 Changes in Shareholding and Pledged Shares of Directors, Officers, and 10% Shareholders	66
3.9 Changes in Shareholding of Directors, Officers, and Major Shareholders	68
3.10 Share Ownership in Affiliates	69
IV. Capital Overview	70
4.1 Capital and Shares	70
4.2 Corporate Bonds	78
4.3 Preferred Stocks.....	81
4.4 Global Depository Receipts	84
4.5 Employee Stock Options.	84
4.6 Employee Restricted Stocks	84
4.7 Issuance of New Shares in Connection with Mergers and Acquisitions or in Exchange for the Shares of another Company	84
4.8 Fund Utilization Plans and Implementation	84
V. Operational Highlights	85
5.1 Business Operations.....	85
5.2 Market and Sales Overview	90
5.3 Employee Statistics	96
5.4 Environmental Costs	96
5.5 Labor Relations	96
5.6 Cyber Security Management.....	100

5.7	Material Agreements	103
VI.	Finance Overview	105
6.1	Five Year Financial Summary	105
6.2	Five Year Financial Analysis	110
6.3	Audit Committee Report Regarding the Most Recent Annual Financial Report.....	113
6.4	Consolidated Financial Statements of the Most Recent Year Audited and Certified by Independent Auditors	114
6.5	Parent Company Only Financial Statements of the Most Recent Year.....	205
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	293
VII.	Financial Status, Operating Results and Risk Management	294
7.1	Financial Condition.....	294
7.2	Financial Performance	296
7.3	Cash Flows.....	298
7.4	Impact of Major Capital Expenditures in the Last Fiscal Year on the Financial Operations of the Company	299
7.5	Investment Policy of the Last Fiscal Year, Reasons for Gains or Losses, Improvements, and Investment Plan for FY2024.....	300
7.6	Evaluation of Risk Factors.....	301
7.7	Other Material Disclosures	306
VIII.	Special Notes	307
8.1	Subsidiaries	307
8.2	Private placement of securities in the last fiscal year and as of the date of this annual report.....	318
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	318
8.4	Other required disclosures	318

I. Letter to Shareholders

Review of Operating Achievements in 2023

In 2023, the global supply chain slowly returned to normal. However, despite the slowdown of the increase in the interest rate by the FED in the US, inflation remained high, resulting in the sluggish growth momentum of the global economy. At the junction of trade and technology competitions, Taiwan is materially affected by global political and economic conditions. In 2023, the economic growth rate in Taiwan was merely 1.40%, representing a decrease of 1.19% from the growth rate of 2.59 in 2022. Even though facing rising capital costs and limited growth in the economic environment, the Company continued to reinforce its products and digital transformation. In 2023, its business performance achieved a new high. The operating income reached NT\$28.66 billion, representing a growth of 26% from the preceding year. The consolidated. The consolidated assets of the Company exceeded NT\$310 billion, representing an increase of 22% from the preceding year. The consolidated net profit after tax was NT\$4.09 billion, and EPS was NT\$6.41 per share.

Regarding the core business of car installment, when facing the active attempts of banks and companies within the rental industry to secure the market share, the Company continued to roll out diversified and customized installment plans to secure cooperation opportunities with the distributors and secondhand car companies for TOYOTA, LEXUS, and other brands. The overall car installment performance maintained a stable growth. Regarding the corporate finance business, we continued to expand its business by focusing on supplier channels, developing product policies, and improving service quality by specializing in professional knowledge. In terms of the motorcycle installment market, we continued to expand its market share by optimizing its product strategies, strengthening its customer engagement, and providing premium specialist services. Product installments cover 3C, aesthetic medicine, home appliance, renovation, and car maintenance/repair. We launched Pay4U product installment services to satisfy the requirements of different customer groups for consumption installment. With the expansion of its business scale, Hotai's assets in 2023 exceeded NT\$240 billion, representing a growth of 18% from the preceding year.

With the continual effects of benefits arising from the integration of HINO channels, HEJING achieved a leading position, and its cooperation with distributors of other brands has become closer. Its assets of the year broke through NT\$20 billion, representing a growth of 86% from the preceding year.

In terms of the green energy industry, as a comprehensive energy service for energy generation, charging, storage, and sales, the contracted capacity of solar power generation recorded by HEJUN Energy through self-building, consolidation, and continual participation in the AFC services of Taipower achieved over 200MW, representing a growth of 12% from the preceding year. In addition, it cooperated with department stores and group channels to install over 100 charging poles. Furthermore, it obtained the license for the energy supplier to optimize its comprehensive energy service layout for energy generation, charging, storage, and sales step by step so as to continue to explore the business opportunities related to net zero carbon emissions.

On the other hand, Ho Ing Mobility, the leader of the car and motorcycle rental business, benefited from the lifted restrictions during the pandemic. With the all-rounding opening up of cross-border movement, the domestic and foreign demand for travel and business trips resumed, and the outlook for the car renting business was positive. The number of cars invested and the number of iRent members both recorded stable growth. It owned over 8,000 vehicles, representing an increase of 2% from the preceding year.

We also recorded excellent performance in terms of our expansion in overseas market. For the operation in Mainland China, after the 20th National Congress of the Communist Party of China in 2022, China continued to adopt the basic policy of “stable growth” with a focus on the physical economy for economic development. Apart from actively expanding its car rental layout, HOYUN International Leasing Co., Ltd. has also been proactively exploring its equipment rental business, expanding photovoltaic products and medical products, and exploring business opportunities from CR

I. Letter to Shareholders

customers. In 2023, its assets exceeded NT\$8.7 billion, representing a growth of 29% from the preceding year. In addition, the Company entered into cross-border cooperation with Ly Hour Leasing PLC to set Cambodia as the starting point for the Company to expand into the ASEAN market. After gaining a firm foothold, the Company will seek other investment opportunities.

2024 Business Plan and Future Prospect

Looking into 2024, geopolitics risks and inflation pressure will continue to affect the economic status worldwide. However, it is estimated that Taiwan will benefit from the inventory destocking of the global semiconductor industry and resume its growth, which will drive domestic economic development. With the increasingly comprehensive EV infrastructure and increasing demand, the continuation of ESG policies, and other profitable factors, the Company will continue to record brilliant performance.

In response to future business growth, the Company will continue to reinforce the car installment business and plan for diverse attractive installment projects to improve the penetration rate of brands and expand its secondhand car installment business. Regarding the corporate finance business, the Company will continue to focus on four major industry fields, including medical equipment, construction machines and tools, manufacturing and processing equipment, and corporate financing, as the major development focus. For the installment market of heavy and general motorcycles, we are expanding our cooperation with companies/brands and channels to improve our penetration rate. We actively develop online and offline brand channels for product installments to provide diverse financial services.

HEJING will be responsible for continuously developing the heavy motorcycle business, exploring large-scale customers, and improving the operations of all brands to maintain its leading advantages. In the backdrop of the establishment of the Taiwan Carbon Solution Exchange and the continual promulgation of long-term net carbon emission policies by the government, HEJUN Energy provides comprehensive energy services in the fields of energy generation, energy storage, and energy consumption so as to realize the prospect of net zero sustainability. In the post-pandemic era, apart from securing the re-emerging travel upsurge, Ho Ing Mobility also expands its penetration in the parking lot business and chauffeur business and makes use of AI and Big Data to reinforce the smart mobile ecology system in order to provide optimal smart mobile services to consumers. The scale of HOYUN International Leasing Co., Ltd. in the Mainland Area continues to grow, and its personnel, joints, and business have become stable. It will focus on the operation of local car companies and the improvement of operating efficiency and management efficacy as the priority. It will actively expand new momentum for its operations and continue to achieve new milestones.

In 2024, despite the uncertainties in the macroeconomy, the Company will continue to reinforce its product solutions and optimize its services with the improvements in the macroeconomy. It will enhance its operating nature, deepen its digital transformation and secure the quality of its assets. It is expected that its businesses and investments will continue to grow steadily and create excellent performance.

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

Yuan-Sheng Liu
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	A NT\$198 million cash injection is made to HFC, resulting in a total of NT\$498 million in its paid-in capital.
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	A NT\$256,412 thousand cash injection is made to HFC, resulting in a total of NT\$1,013,808 thousand in its paid-in capital.
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 th 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 th 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 th Golden Peak Award hosted by the Outstanding Enterprise Manager Association.
		HFC receives the Taiwan Quality Assurance Golden Award at the 16 th 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).
2019	May	HFC celebrates its 20 th 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

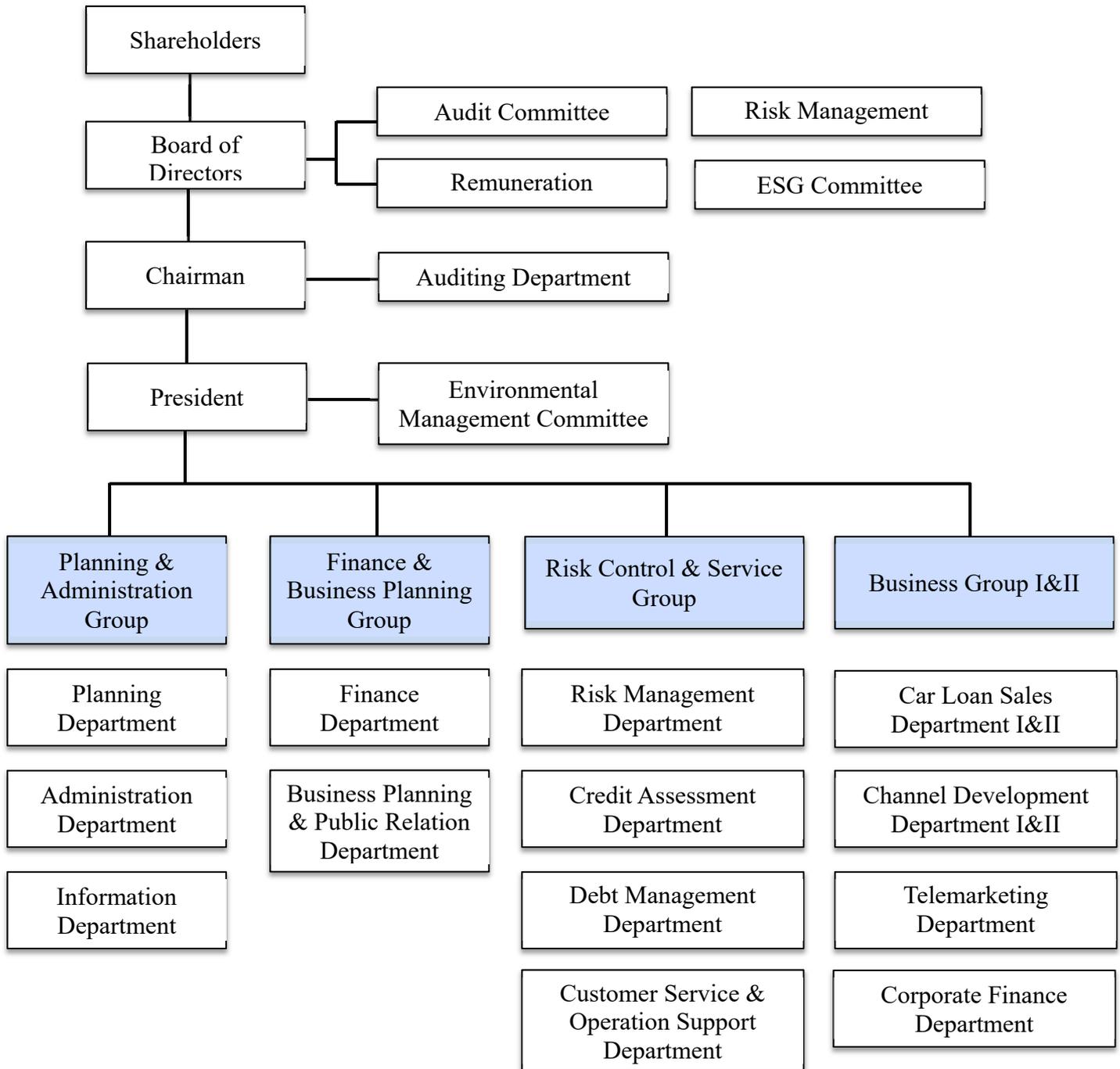
II. Corporate Overview

		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. 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.
	August	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 th Session of the Outstanding Enterprise.
	December	HFC becomes ISO 27001 certified.
2023	June	For the second time, HFC is honored with the international prize "Asia Responsible Enterprise Awards".
	July	Awarded the 2023 Taiwan Sustainable Action Award - Social Inclusion Category - Bronze Award.
		HFC is rated twAA- and twA-1+ respectively in long-term and short-term issue credit ratings by Taiwan Ratings for 17 consecutive years.
		For the third 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 4 consecutive years.
	September	Selected as one of the 2023 Taiwan Best-in-Class 100
	October	Selected 2023 PwC Sustainability Impact Award
		Obtain Taiwan Intellectual Property Management System certification-Class A HFC becomes ISO 9001 certified for 17 consecutive years.
	November	Awarded the Talent Quality-management System Gold Prize
		HFC has participated in the Taiwan Corporate Sustainability Awards for 3 consecutive years, and received the Corporate Sustainability Report Golden Award.
		HFC becomes ISO 27001 certified for 2 consecutive years.
December	Awarded Small and Medium Enterprise and Startup Administration-Buying Power Third Prize	

III. Corporate Governance

3.1 Organizational Structure

3.1.1 Organizational Chart (March 31,2024)



III. Corporate Governance

3.1.2 Primary Business Functions

Department	Responsibility
Auditing Department	<ol style="list-style-type: none"> 1. Establish, implement and review internal control and audit systems 2. Manage the audit of the company's operations and finances
Planning & Administration Group	<ol style="list-style-type: none"> 1. Product policies: formulate product policies and design internal and external business operation 2. Process improvement: improve operating procedures, enhance operating systems, and reinforce website security protocols 3. Human resources, Continuing education, Administration 4. Information security and management, Develop and manage the operation systems, Purchase and maintenance of office software and hardware
Finance & Business Planning Group	<ol style="list-style-type: none"> 1. Accounts processing, Tax related matters 2. Company budgets, Allocate funds 3. Corporate Governance, Investor related matters, 4. Public relations promotion, Corporate social responsibility matters 5. Business Planning Office: annual business planning & follow-up, joint-venture management, and new business model development
Risk Control & Service Group	<ol style="list-style-type: none"> 1. Risk management policy, Credit rating system, Risk management system (KRIs), provide anomaly detection analysis and report 2. Review of car loans and business financing installment: conduct review on applications submitted 3. Collections on defaulted loans 4. Credit information data management, Process installment loan disbursement, Online setups, Customer Service
Business Group I&II	<ol style="list-style-type: none"> 1. Development and maintenance <ol style="list-style-type: none"> (1) car loan (2) motorcycles and general commodities (3) potential customer (4) corporate finance 2. Processing of installment loan business

III. Corporate Governance

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

3.2.1 Directors

(1) Directors roster

March 31, 2024; 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%	257,161,874	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Yuan-Sheng Liu	Male 66	Taiwan				— (Note 1)	—	— (Note 1)	—	—	—	—	—	—	Master's in Sanminism, National Chengchi University Executive Vice President, Hotai Motor Co., Ltd.	Chairman, Hotai Leasing Co., Ltd. Chairman, Hozao Enterprise Co., Ltd. Chairman, HEJING Co., Ltd. Chairman, HEJUN Energy Co., Ltd. Chairman, Hotai Finance Development 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%	257,161,874	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Chwen-Shing Su	Male 58	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
	Hozan Investment Co, Ltd.	—	Taiwan				233,782,831	45.39%	257,161,874	45.39%	—	—	—	—	—	—	—	—	—
Director	Representative, Roger Huang	Male 44	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
Director	Hozan Investment Co, Ltd.,	—	Taiwan	July 22, 2021	3years	June 29, 2015	233,782,831	45.39%	257,161,874	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Leon Soo	Male 52	Taiwan				— (Note 1)	—	— (Note 1)	—	—	—	—	—	—	Wharton School of the University of Pennsylvania Director, Hotai Motor Co., Ltd.	Chairman, Golden Orange Corporation Chairman, Shanghai Fengyi Construction Decoration Limited Company Chairman, Shanghai Hede Used Cars Operation Co., Ltd. Vice Chairman, Hoyu Investment Co., Ltd. Vice Chairman, Hotong Motor Investment Co., Ltd. Director, Hotai Motor Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, YH Development Limited Managing Director and President, Tianjin Yongda Communication Technology Co., Ltd. Managing Director, Shanghai Hochen Auto Technology Co., Ltd. Managing Director and President, Shanghai Ho-Mian Auto Technology Co., Ltd. Managing Director, Shanghai Zhongxin Traffic Facility Engineering Co., Ltd. Managing Director and President, Shanghai Guangxin Culture Media Co., Ltd.	—	—
Director	Hozan Investment Co, Ltd.	—	Taiwan	July 22, 2021	3 years	June 23, 2009	233,782,831	45.39%	257,161,874	45.39%	—	—	—	—	—	—	—	—	—
	Representative, Ryan Huang	Male 48	Taiwan				— (Note 1)	—	—	—	11,000 (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, Camax Auto Tech (Shanghai) Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Taiyuan Zhong Du Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Ho-Con Finance Leasing Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Supervisor, Triples Information 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	January 1, 2024	3 years	January 1, 2024	118,249,872	22.96%	130,074,859	22.96%	—	—	—	—	—	—	—	—	—
	Representative, Tetsuo Higuchi	Male 52	Japan				— (Note 1)	—	— (Note 1)	—	—	—	—	—	—	—	Master of Business Administration, Hitotsubashi University, Japan DCEO of APR, Toyota Financial Services Corporation	Director, Hotai Leasing Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Hoyun International Leasing Co., Ltd. DCEO of APR, Toyota Financial Services Corporation Chairman, Toyota Financial Services Vietnam Director, Toyota Financial Services Korea Director, Toyota Financial Services Singapore Direcotr, Toyota Financial Services Philippines Direcotr, Toyota Financial Services India Direcotr, Toyota Capital Malaysia Direcotr, Toyota Leasing Thailand	—
Independent Director	Ming-You Huang	Male 70	Taiwan	Jyly 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, Bole Film Co., Ltd. Director, Jollify4ever Co., Ltd. Director, Jollify Venture Co., Ltd.	—	—	—	
Independent Director	Wei-Lin Mao	Male 71	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.	—	—	—		
Independent Director	Min-Chieh Chang	Male 73	Taiwan	May 31, 2023	3 years	May 31, 2023	—	—	—	—	—	—	—	Master of Institute of Industrial Technology, Pittsburgh State University Vice President of Hotai Motor Co., Ltd. President of NanDu Motor 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

March 31, 2024

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:

March 31, 2024

Company Name	Major Shareholders
Hotai Motor Co., Ltd.	Hoyu Investment Co., Ltd. (8.83%), Toyota Motor Corporation (8.13%), Li Gang Enterprise Co., Ltd. (7.42%), Jin Yuan Shan Investment Co., Ltd. (6.60%), Cheng Sun Trading Co., Ltd. (4.49%), Shen Rong Investment Co., Ltd. (3.11%), Yuan Tuo Investment Co., Ltd. (2.68%), Jin Ji Investment Enterprise Co., Ltd. (2.49%), Zhi Geng Development Co., Ltd. (2.43%), and Tai Zhang Investment Co., Ltd. (2.29%)
Toyota Motor Corporation	Japan Trustee Service Bank, Ltd. (11.68%)、 Toyota Industries Corporation (7.31%)、 Custody Bank of Japan, Ltd. (5.51%)、 Nippon Life Insurance Company (3.88%)、 JP Morgan Chase Bank, N.A. (3.28%)、 Denso Corporation (2.76%)、 State Street Bank&Trust Company(2.06%)、 The Bank of New YorkMellon (1.79%)、 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
Yuan-Sheng Liu	(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
Chwen-Shing Su	(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
Roger 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
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
Tetsuo Higuchi (Note 2)	(1) Master of Business Administration, Hitotsubashi University, Japan; is DCEO of APR, Toyota Financial Services 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
Ming-You Huang	(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
Wei-Lin Mao	(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.			0
Min-Chieh Chang	(1) Master of Institute of Industrial Technology, Pittsburgh State University; has been Vice President of Hotai Motor Co., Ltd. And has been President of NanDu Motor Co., Ltd. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.			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 Shin Abe to Tetsuo Higuchi on 2024/1/1.

III. Corporate Governance

(5) Diversity and independence of the Board of Directors

Diversity of the Board of Directors: Describe the diversity policy, goals and achievements of the Board of Directors. The diversity policy includes but is not limited to the criteria for selection of directors, the professional qualifications and experience required for the Board of Directors, the composition or proportion of gender, age, nationality and culture, etc., and describes the specific goals and the achievement of the Company with respect to the aforementioned policy:

The Company has regulated the consideration of diversity in the composition of the Board of Directors in Article 20, item 3 of the "Corporate Governance Best Practice Principles." Except that the number of directors who also serve as the Company's managerial officers shall not exceed one-third of the seats on the Board, the Company formulates appropriate diversification policies. The Company currently has a total of 9 directors, including 3 independent directors, accounting for 1/3 of the board, and none of the 3 independent directors has served for more than 3 terms. Currently, none of the Company's directors has the identity of an employee.

In the 2021 re-election, due to the Company's current development needs, no female directors have been elected. The 11th board of directors' re-election in 2024 has nominated female independent directors to gradually increase the number of female directors. There are 2 directors under the age of 50, 3 directors between 51 and 65 years old, and 4 directors over 66 years old. Some of the directors have practical and management experiences for automotive related industry. The directors' diverse professional backgrounds in technology, advertising, media, accounting, and economic analysis demonstrate the diversity of the Board of Directors. In addition to the directors' professional competence and practical experience, we attach great importance to directors' personal reputation in terms of ethical conduct and leadership. Article 20 of the Company's "Corporate Governance Best Practice Principles" specifies that the board of directors should have the following abilities: ① business judgment ② accounting and financial analysis ability ③ business management ability ④ crisis management knowledge ⑤ industry knowledge ⑥ international market outlook ⑦ leadership ability, and ⑧ decision-making ability, and the Company's implementation of the diversification policy is as follows:

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
			Under 50	51~65	Over 66								
Yuan-Sheng Liu	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Chwen-Shing Su	Taiwan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Roger Huang	U.S.A.	Male	✓			✓	-	✓	✓	✓	✓	✓	✓
Leon Soo	Taiwan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Ryan Huang	Taiwan	Male	✓			✓	✓	✓	✓	✓	✓	✓	✓
Tetsuo Higuchi (Note 1)	Japan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Ming-You Huang	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Wei-Lin Mao	Taiwan	Male			✓	✓	✓	-	✓	✓	✓	-	✓
Min-Chieh Chang	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓

Note 1: The Corporate Director, Toyota Financial Services Co., Ltd., reassigned its representative from Shin Abe to Tetsuo Higuchi on 2024/1/1.

1. Independence of the Board of Directors: The Company has 3 independent directors, accounting for 1/3 of all directors. All directors perform their duties faithfully, and the Board of Directors is independent and functional. There is no spouse or relatives of second degree kinship between the Company's directors and independent directors.

III. Corporate Governance

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

March 31, 2024; 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	Yen-Liang Lin	Male	July 1, 2016	163,000	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, LY HOUR LEASING PLC. Director and President, Hozao Enterprise Co., Ltd. Director and President, HEJING Co., Ltd. Director and President, HEJUN Energy Co., Ltd. Director and President, Hotai Finance Development 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. Chairman, Tung Ching Energy Co., Ltd. Chairman, Tung Ching Green Energy Co., Ltd. Chairman, Billion Sunpower Co., Ltd. Chairman, Cheng Yo Technology Co., Ltd. Chairman, Hon Yang Energy Co., Ltd. Vice Chairman, Gochabar Co., Ltd. Chairman, Tung Ching Energy Co., Ltd. Supervisor, Hotai Mobility Service Co., Ltd.	—	—	—
Senior Vice President	Taiwan	Wen-Chun Liao	Male	June 1, 2023	2,200 4,000*	0.00% 0.00%*	—	—	—	—	Master's in Business Administration, Chung Yuan Christian University Director, GE Capital Taiwan	Director, HEJING Co., Ltd.	—	—	—
Vice President	Taiwan	Jui-Chi Lin	Male	January 1, 2022	—	—	—	—	—	—	Department of Japanese Language and Culture, Soochow University Manager, Yulon Finance Corporation	Director, Hotai Finance Development Co., Ltd.	—	—	—
Senior Manager	Taiwan	Chun-I Tu	Male	December 1, 2021	64,000	0.01%	72,600	0.01%	—	—	Department of Law, Fu Jen Catholic University	—	—	—	—

III. Corporate Governance

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
Senior Manager	Taiwan	Chin-Tso Liao	Male	January 1, 2022	22,000 10,000*	0.00% 0.01%*	—	—	—	—	Graduate Institute of Management Science, National Chiao Tung University Division Chief, Fuwan Co., Ltd.	—	—	—	
Senior Manager	Taiwan	Kai-Jung Yang	Male	Febuary 1, 2023	—	—	—	—	—	—	Graduate Institute of Management, University of Inowa Vice President, CTBC Bank Co., Ltd.	Director, Perpetual New Energy Co. Ltd Supervisor, Guang Yang Energy Co., Ltd. Supervisor, ChaoYang Energy Co., Ltd. Supervisor, XianYao Energy Co., Ltd.	—	—	—
Senior Manager	Taiwan	Po-Song Wu	Male	June 1, 2023	—	—	—	—	—	—	National Cheng Kung University, BA in Transportation and Communication Management Science Senior Manager, Ve Wong Co. Senior Manager, Sinjang Co., Ltd. Vice President, 超值車城 Co., Ltd.	—	—	—	
Senior Manager	Taiwan	Jia-Feng Lee	Male	January 1, 2024	44,000	0.01%	—	—	—	—	Tamkang University, BA in Statistics Senior Manager, Hotai Leasing Co., Ltd.	Director and President, Hoyun International Leasing Co., Ltd.	—	—	—
Senior Manager	Taiwan	Tao-Ming Chang	Male	Febuary 1, 2024	—	—	—	—	—	—	National Defense University, BA in Accounting Manager, Aurona Industries, Inc.	—	—	—	

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																						
	Yuan-Sheng Liu (authorized representative of Hozan Investment Co., Ltd)																						
	Chwen-Shing Su (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.)	3,362	4,437	—	—	—	—	93	145	3,455 0.09%	4,582 0.12%	—	—	—	—	—	—	—	—	3,455 0.09%	4,582 0.12%		
	Ryan Huang (authorized representative of Hozan Investment Co., Ltd)																						
	Toyota Financial Services Corporation																						
	Masayoshi Hori (Note 2) (Authorized representative of Toyota Financial Services Corporation)																						
	Shin Abe (Note 2) (Authorized representative of Toyota Financial Services Corporation)																						
Independent Director	Huang, Ming-You	1,920	1,920	—	—	—	—	135	135	2,055 0.06%	2,055 0.06%	—	—	—	—	—	—	—	—	2,055 0.06%	2,055 0.06%		
	Mao, Wei-Lin																						
	Min-Chieh Chang (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 (FY2023); net income attributable to equity holders of the parent company in both the separate and consolidated financial statements of HFC was 3,689,812 thousand.

III. Corporate Governance

Note 2: The Corporate Director, Toyota Financial Services Co., Ltd., reappointed its representative to Abe (Hori was dismissed) on April 1, 2023, and changed to Tetsuo Higuchi (Abe was dismissed) on January 1, 2024.
 Note 3: Min-Chieh Chang took office after being elected on May 31, 2023.

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.: Chwen-Shing Su, Leon Soo, Roger Huang, Ryan Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori, Shin Abe; Ming-You Huang; Wei-Lin Mao; Min-Chieh Chang.	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Chwen-Shing Su, Leon Soo, Roger Huang, Ryan Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori, Shin Abe; Ming-You Huang; Wei-Lin Mao; Min-Chieh Chang.	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Chwen-Shing Su, Leon Soo, Roger Huang, Ryan Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori, Shin Abe; Ming-You Huang; Wei-Lin Mao; Min-Chieh Chang.	Hozan Investment Co., Ltd.; Authorized representatives of Hozan Investment Co., Ltd.: Leon Soo, Roger Huang; Toyota Financial Services Corporation; Authorized representatives of Toyota Financial Services Corporation: Masayoshi Hori, Shin Abe; Ming-You Huang; Wei-Lin Mao; Min-Chieh Chang.
NT\$1,000,000 – NT\$1,999,999	Authorized representatives of Hozan Investment Co., Ltd.: Yuan-Sheng Liu	-	Authorized representatives of Hozan Investment Co., Ltd.: Yuan-Sheng Liu	-
NT\$2,000,000 – NT\$3,499,999	-	Authorized representatives of Hozan Investment Co., Ltd.: Yuan-Sheng Liu	-	Authorized representatives of Hozan Investment Co., Ltd.: Ryan Huang
NT\$3,500,000 – NT\$4,999,999	-	-	-	-
NT\$5,000,000 – NT\$9,999,999	-	-	-	-
NT\$10,000,000 – NT\$14,999,999	-	-	-	Authorized representatives of Hozan Investment Co., Ltd.: Yuan-Sheng Liu
NT\$15,000,000 – NT\$29,999,999	-	-	-	Authorized representatives of Hozan Investment Co., Ltd.: Chwen-Shing Su
NT\$30,000,000 – NT\$49,999,999	-	-	-	-
NT\$50,000,000 – NT\$99,999,999	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	12	12	12	12

III. Corporate Governance

3.3.2 Remuneration of President, Vice President, and Senior Managers in the Last Fiscal Year (2023)

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	Yen-Liang Lin	15,869	15,869	—	—	39,894	41,835	9,081	—	9,081	—	64,844 1.76%	66,785 1.81%	45
Senior Vice President	Wen-Chung Liao													
Vice President	Jui-Chi Lin													
Senior Manager	Chun-I Tu													
Senior Manager	Tu, Chun-I													
Senior Manager	Chin-Tso Liao													
Senior Manager	Kai-Jung Yang													

Note 1: Net profit after tax refers to the net profit after tax of the most recent year (2023). The amount of net profit attributable to the owners of the parent company in the Company's parent company only and consolidated financial statements is both NTD 3,689,812 thousand.

Note 2: Assistant Vice President, Kai-Rong Yang, took office in February 2023; Assistant Vice President, Po-Song Wu, took office in June 2023.

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	–	–
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	Chun-I Tu, Chin-Tso Liao Kai-Jung Yang, Po-Song Wu	Chun-I Tu, Chin-Tso Liao Kai-Jung Yang, Po-Song Wu
NT\$10,000,000 – NT\$14,999,999	Wen-Chung Liao, Jui-Chi Lin	Wen-Chung Liao, Jui-Chi Lin
NT\$15,000,000 – NT\$29,999,999	Yen-Liang Lin	Yen-Liang Lin
NT\$30,000,000 – NT\$49,999,999	–	–
NT\$50,000,000 – NT\$99,999,999	–	–
NT\$100,000,000 and above	–	–
Total	7	7

Note: Assistant Vice President, Kai-Rong Yang, took office in February 2023; Assistant Vice President, Po-Song Wu, took office in June 2023.

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)
Manager	President	Yen-Liang Lin	–	9,559	9,559	0.26%
	Senior Vice President	Wen-Chun Liao				
	Vice President	Jui-Chi Lin				
	Senior Manager	Chun-I Tu				
	Senior Manager	Chin-Tso Liao				
	Senior Manager	Kai-Jung Yang				
	Senior Manager	Po-Song Wu				
	Manager	Chia-Ming Tsai				

Note 1: Net profit after tax refers to the net profit after tax of the most recent year (2023). The amount of net profit attributable to the owners of the parent company in the Company's parent company only and consolidated financial statements is both NTD 3,689,812 thousand.

Note 2: Assistant Vice President, Kai-Rong Yang, took office in February 2023; Assistant Vice President, Po-Song Wu, took office in June 2023.

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

	2022		2023	
	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities
Directors (Note)	0.13%	0.17%	0.15%	0.18%
President, Vice President, and Senior Managers	1.27%	1.28%	1.76%	1.81%

Note: Net income shall mean the net income of the last fiscal year (FY2023); net income attributable to equity holders of the parent company in both the separate and consolidated financial statements of HFC was NT\$ 3,689,812 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.

III. Corporate Governance

3.4 Corporate Governance

3.4.1 Board of Directors

(1) Operations of the Board of Directors

In 2023, the Board of Directors convened 7 (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 Yuan-Sheng Liu	7	0	100%	
Director	Hozan Investment Co, Ltd., represented by Chwen-Shing Su	7	0	100%	
Director	Hozan Investment Co, Ltd., represented by Roger Huang	7	0	100%	
Director	Hozan Investment Co, Ltd., represented by Leon Soo	5	2	71%	
Director	Hozan Investment Co, Ltd., represented by Ryan Huang	7	0	100%	
Director	Toyota Financial Services Corporation, represented by Masayoshi Hori	2	0	100%	Masayoshi Hori was relieved from office upon the reassignment by the Corporate Director on April 1, 2023.
Director	Toyota Financial Services Corporation, represented by Shin Abe	5	0	100%	Shin Abe was assignment by the Corporate Director on April 1, 2023.
Independent Director	Ming-You Huang	7	0	100%	
Independent Director	Wei-Lin Mao	7	0	100%	
Independent Director	Min-Chieh Chang	4	0	100%	Inaugurated upon election on May 31, 2023

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 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.
 - 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) For the recusal of a director from a proposal because of a conflict of interest, the name of the director, the content of the proposal, the reason for recusal, and the participation in voting shall be disclosed:

Date of Meeting	Directors to be recused	Proposal Content	Reason for recusal	Participation in voting
2023/1/16 16th meeting of the 10th board	Yuan-Sen Liu	Financing Endorsement/Guarantee to HE JING CO., LTD. and its correspondent bank	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
2023/3/9 17th meeting of the 10th Board	Yuan-Sen Liu	Financing Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent bank	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting

III. Corporate Governance

2023/5/4 18th meeting of the 10th board	Yuan-Sen Liu	Increase cash capital of HE JING CO., LTD.	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
2023/8/3 20th meeting of the 10th board	Yuan-Sen Liu	Remuneration to the Chairman	The recusing director is a party or a related party	Did not participate in the discussion and voting
2023/8/3 20th meeting of the 10th board	Yuan-Sen Liu	Financing Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent bank	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting

3. Enhancements to the functionality of the Board of Directors in the current year and the most recent year (e.g. establishment of an Audit Committee, enhancement of information transparency, etc.) and implementation evaluations:
- Striving to implement the spirit of corporate governance, the Company has established the Audit Committee and the Remuneration Committee to assist the Board of Directors in improving corporate governance and strengthen the functions of the Board of Directors, and regularly evaluate and review the remuneration of directors and managers. Please refer to the Operations of the Audit Committee and the Remuneration Committee. In September 2021, a Risk Management Committee and an ESG Sustainable Management Committee were appointed.
 - The Board of Directors' Performance Evaluation Regulations were established on 2018/10/23, and amended on 2020/11/11. The latest external evaluation was to perform the 2023 External Performance Evaluation of the Board of Directors including functional committees in the fourth quarter of 2023. The evaluation results show that the Board of Directors is functioning well.
 - The Company has announced relevant important resolutions on the Market Observation Post System in accordance with the regulations to enhance information transparency.

(2) Implementation of the evaluation of the Board of Directors:

In the fourth quarter of 2023, the Corporate Management Institute of Taiwan was commissioned to evaluate the performance of the Board of Directors and functional committees in 2023. A self-evaluation questionnaire was collected from 9 directors (including independent directors) for individual director members. The overall evaluation results showed that the functioning of the Board of Directors and the functional committees was "good", as follows:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Topics
Once a year; at least one external evaluation every three years	2023/1/1 ~ 2023/12/31	Board of Directors as a whole	Appointment of external professional institutions	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	Self- evaluation questionnaire	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)	Appointment of external professional institutions	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

III. Corporate Governance

3.4.2 Audit Committee Meetings

(1) Operations of the Audit Committees

There were a total of 7 Audit Committee meetings (A) in the most recent year (2023).

The attendance of the Audit Committee is as follows:

Job Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Convener	Ming-Yu Huang	7	0	100%	—
Committee Member	Wei-Ling Mao	7	0	100%	—
Committee Member	Min-Jie Chang	4	0	100%	Inaugurated upon election on May 31, 2023

Other information to be disclosed:

(1) If the operation of the Audit Committee is under any of the following circumstances, the meeting date and period, the contents of the motions, the independent directors' dissenting opinions, qualified opinions or major recommendations, the Audit Committee's resolution outcomes, and the Company's handling of the opinions of the Audit Committee shall be stated.

(a) Conditions described in Article 14-5 of the Securities and Exchange Act:

Date and session of the Audit Committee	Proposal Content	Resolution of the Audit Committee	The Company's handling of the Audit Committee's opinions
2023/1/16 2nd Term The 15th meeting	<ol style="list-style-type: none"> 1. Appointment of CPAs and evaluation of independence and suitability 2. Financing Endorsement/Guarantee to HE JING CO., LTD. and its correspondent bank 3. Approval for the provision of non-accreditation services by CPAs, their firms, and their affiliates to the Company and subsidiaries 	Agreed by all attending members	No opinion from attending members
2023/3/9 2nd Term 16th meeting	<ol style="list-style-type: none"> 1. 2022 Business Report and Financial Statements 2. 2022 distribution of earnings proposal 3. Issue new shares for capital increase by earnings 4. Amendment to the "Procedures for Derivative Transactions" 5. Lifting of non-compete restrictions on directors 6. Statement on Internal Control System 7. Financing Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent bank 8. Financing Endorsement/Guarantee to Hoyun (Shanghai) International Leasing Co., Ltd. and its correspondent bank 9. 2023 Q1 Consolidated Financial Statements 10. The purchase of office space in New Taipei City 11. Proposal to participate in the subscription of cash capital increase by HE JING CO., LTD. 12. Proposal to acquire part of the equity of Cambodia-based Ly Hour Leasing PLC. 13. Proposal to issue preferred shares B for cash capital increase 14. Financing Endorsement/Guarantee to Hoyun (Shanghai) International Leasing Co., Ltd. and its correspondent bank 15. Amendment to the internal control system 16. Amendments to Corporate Governance Related Regulations 	Agreed by all attending members	No opinion from attending members
2023/5/31 2nd Term 18th meeting	<ol style="list-style-type: none"> 1. Issue new shares for capital increase by earnings 	Agreed by all attending members	No opinion from attending members

III. Corporate Governance

Date and session of the Audit Committee	Proposal Content	Resolution of the Audit Committee	The Company's handling of the Audit Committee's opinions
2023/8/3 2nd Term 19th meeting	<ol style="list-style-type: none"> 1. 2023 Q2 Consolidated Financial Statements 2. Financing Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent bank 3. Proposal to raise overseas loans 	Agreed by all attending members	No opinion from attending members
2023/11/8 2nd Term 20th meeting	<ol style="list-style-type: none"> 1. 2023 Q3 Consolidated Financial Statements 2. Proposal to establish a subsidiary to operate corporate banking business 	Agreed by all attending members	No opinion from attending members
2023/12/14 2nd Term 21st meeting	<ol style="list-style-type: none"> 1. 2024 audit plan 2. Acquisition of the right-of-use of property from a related party by leasing 3. Amendment to the "Procedures for Endorsement and Guarantee" 	Agreed by all attending members	No opinion from attending members

(b) Other than the aforementioned matters, any resolutions not passed by the Audit Committee but approved by more than two-thirds of all directors: None.

(2) For the recusal of an independent director from a proposal because of a conflict of interest, the name of the independent director, the content of the proposal, the reason for recusal, and the participation in voting shall be disclosed: No such situation.

(3) Communication between independent directors and the internal audit officer and accountants (should include the material matters, methods and results of communication on the Company's financial and business status, etc.):

(a) The internal audit officer submitted the audit report to the independent directors in the following month after the completion of the audit project. The independent directors had no objection.

(b) Independent directors had no objection to the audit report of the internal audit officer.

(c) Before the end of each fiscal year, the internal auditing officer shall submit the audit plan for the next year, after being approved by the Audit Committee, to the Board of Directors for resolution.

(d) The Company has provided the contact numbers and e-mail addresses of independent directors (audit committee members) and internal audit officers for direct contact and communication. The Company's chief internal auditors attended every meeting of the board of directors to report audit business and consult independent directors (members of the audit committee) for suggestions.

(e) The evaluation of the effectiveness of the Company's annual internal control system and the declaration of internal control system are submitted to the Audit Committee for review.

(f) The Company's annual financial statements require the approval of at least 1/2 of the members of the Audit Committee before submitting to the Board of Directors for resolution. Before the Audit Committee reviews the financial statements, the audit results are discussed and communicated with the CPAs in advance.

(4) Annual work highlights of the Audit Committee:

(a) The purpose of the Audit Committee is to assist the Board of Directors in monitoring the quality and integrity of the Company's accounting, auditing, financial reporting processes and financial control.

(b) Matters reviewed by the Audit Committee include:

- Review of financial statements: The Board of Directors has prepared the Company's 2023 business report, financial statements and earnings distribution proposal, among which, the financial statements have been audited by PwC Taiwan, which has issued an audit report. The above-mentioned business report, financial statements and earnings distribution proposal have been reviewed by the Audit Committee and found no irregularities.
- Accounting policies and procedures.

III. Corporate Governance

- Internal control system and related policies and procedures: The Audit Committee assessed the effectiveness of the Company's internal control system policies and procedures (including control measures in finance, operation, risk management, information security, legal compliance, etc.), and reviewed the regular reports by the Audit Department, CPAs and management, including risk management and legal compliance. The Audit Committee believes that the Company's risk management and internal control systems are effective, and the Company has adopted the necessary control mechanisms to supervise and correct violations.
- Material Loaning of Funds by Endorsement or Guarantee.
- Offering or issuance of securities
- Legal compliance
- Qualification, independence and performance evaluation of CPAs
- Appointment, dismissal, or remuneration of certified public accountants
- Fulfillment of duties by the Audit Committee
- Audit Committee Performance Evaluation Questionnaire

III. Corporate Governance

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.	None
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.	None
(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.	None
(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> .	None
(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.	None
3. Composition and responsibilities of the Board of Directors				
(1) Does the Board of Directors formulate and implement diversified policies, specific management goals?	V		The Company has regulated the consideration of diversity in the composition of the Board of Directors in Article 20, item 3 of the "Corporate Governance Best Practice Principles." Except that the number of directors who also serve as the Company's managerial officers shall not exceed one-third of the seats on the	None

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	
(2) In addition to the Remuneration Committee and the Audit Committee, has the Company established other functional committees voluntarily?	V		<p>Board, the Company formulates appropriate diversification policies. The Company currently has a total of 9 directors, including 3 independent directors, accounting for 1/3 of the board, and none of the 3 independent directors has served for more than 3 terms. None of the directors has the identity of an employee.</p> <p>Due to the Company's current development needs, no female directors have been elected for the 10th re-election in 2021. The Board of Directors has nominated a female independent director candidate for the 11th re-election in 2024 to gradually increase the number of female directors. There are 2 directors under the age of 50, 3 directors between 51 and 65 years old, and 4 directors over 66 years old. Some of the directors have practical and management experiences for automotive related industry. The directors' diverse professional backgrounds in technology, advertising, media, accounting, and economic analysis demonstrate the diversity of the Board of Directors. In addition to the directors' professional competence and practical experience, we attach great importance to directors' personal reputation in terms of ethical conduct and leadership.</p> <p>Aiming to strengthen the functions of the board of directors and achieve the ideal goal of corporate governance, Article 20 of the Company's "Corporate Governance Best Practice Principles" stipulates that the board of directors as a whole should have the following capabilities:</p> <ol style="list-style-type: none"> 1. Operational judgment 2. Accounting and financial analysis 3. Business management 4. Crisis management 5. Industry knowledge 6. International market perspective 7. Leadership 8. Decision-making <p>Please refer to Note 1 for the Company's implementation of diversity policy. Management target: Add one female director.</p> <p>The Company has established the Remuneration Committee, Audit Committee, Risk Management Committee and ESG Sustainable Management Committee. Their composition, duties and operation are as follows.</p> <p><u>Risk Management Committee:</u></p> <p>Striving to improve risk control and management and strengthen the functions of the Board of Directors, the Company has established a Risk Management Committee with the following functions and powers:</p>	None

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>1. Regularly review the Company's risk management policy and procedures and put forth proposals for discussion by the Board of Directors.</p> <p>2. Reviewed the changes in the quality as well as risks and trends of the financial assets owned by the Company every six months and reported the review results to the Board of Directors.</p> <p>3. Regularly reviewed the competent authority's legal requirements and the board's requirements for management mechanisms and other issues related to various risk management systems and reported the review results to the Board of Directors.</p> <p>4. Other major risks specified by the Company or competent authorities.</p> <p>Committee members: Independent Director Ming-Yu Huang, Convener; Independent Director Wei-Ling Mao, committee member; Independent Director Min-Jie Chang (assumed post on 2023/5/31), committee member; Mr. Yen-Liang Lin, committee member (assumed post on 2022/11/3, dismissed on 2023/5/31).</p> <p>Independent Director Ming-Yu Huang is a practicing CPA with expertise in accounting, risk, and financial analysis.</p> <p>Independent Director Wei-Ling Mao has previously served as Professor, Chair, and Head of the Department of Economics, National Chengchi University. He has extensive experience in economics research, finance, and risk analysis.</p> <p>Independent Director Min-Jie Chang has previously served as Vice President of Hotai Motor Co., Ltd. and President of NAN DU Motors, and has some exposure to the Company's products, laws, and various risks.</p> <p>The operation of the Risk Management Committee in 2023 is as follows:</p> <p>1. A total of 3 meetings were held in 2023, and the attendance rate of the three committee members was 100%.</p> <table border="1"> <thead> <tr> <th>Date/Session</th> <th>Meeting Content</th> </tr> </thead> <tbody> <tr> <td>2023/3/9 1st Term 5th meeting</td> <td>1. Review of asset quality management</td> </tr> <tr> <td>2023/5/31 1st Term 6th meeting</td> <td>1. Risk management mechanism project report 2. Review of asset quality management</td> </tr> <tr> <td>2023/11/8 1st Term 7th meeting</td> <td>1. Review of asset quality management</td> </tr> </tbody> </table> <p>2. Report the operation progress to the Board of Directors on December 14, 2023.</p> <p><u>ESG Committee:</u></p>	Date/Session	Meeting Content	2023/3/9 1st Term 5th meeting	1. Review of asset quality management	2023/5/31 1st Term 6th meeting	1. Risk management mechanism project report 2. Review of asset quality management	2023/11/8 1st Term 7th meeting	1. Review of asset quality management	
Date/Session	Meeting Content											
2023/3/9 1st Term 5th meeting	1. Review of asset quality management											
2023/5/31 1st Term 6th meeting	1. Risk management mechanism project report 2. Review of asset quality management											
2023/11/8 1st Term 7th meeting	1. Review of asset quality management											

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>i</p> <p>(3) Has the Company established rules and methods for evaluating the performance of the Board of Directors, and conducts annual performance evaluations regularly, and reports the results of the performance evaluations to the Board of Directors, and uses them as a reference for individual directors' remuneration and nomination?</p>	V		<p>Promotion and implementation of corporate social responsibility policies and sustainable development:</p> <ol style="list-style-type: none"> 1. Review and suggestions on the effectiveness of corporate social responsibility implementation. 2. Set out the main corporate social responsibility direction and outlined an annual implementation plan and progress. 3. Other related matters. <p>Committee members: Convener, Chairman, Yuan-Sen Liu; Committee member Yen-Liang Lin; Committee member Wen-Chung Liao, Committee member Shui-Chi Lin, Committee member, Chin-Chuo Liao. The convener is the Company's Chairman, Mr. Yen-Liang Lin is the President of the Company, Mr. Wen-Chung Liao and Mr. Shui-Chi Lin are the Vice Presidents of the Company, and Mr. Chin-Chuo Liao is the Assistant Vice President of the Company. All of them have actual contact and ability to make relevant recommendations on the sustainable operation of the Company to the Board of Directors.</p> <p>The operation of the ESG Sustainability Committee in 2023 is as follows:</p> <ol style="list-style-type: none"> 1. A total of 2 meetings were held in 2023, and the attendance rate of the five committee members was 100%. <table border="1" data-bbox="636 1193 1177 1413"> <thead> <tr> <th>Date/Session</th> <th>Meeting Content</th> </tr> </thead> <tbody> <tr> <td>2023.06.26 1st Term 4th meeting</td> <td>1. 2023 ESG Award Annual Implementation Plan</td> </tr> <tr> <td>2023.11.29 1st Term 5th meeting</td> <td>1. ESG strategy and budget for 2024</td> </tr> </tbody> </table> 2. Report the operation progress to the Board of Directors on December 14, 2023. <p>The Company's Board of Directors has approved the establishment of the "Regulations Governing Performance Appraisal of the Board of Directors of HOTAI FINANCE CO., LTD.", and at the end of the year, the performance appraisal of the Board of Directors will be conducted, including the overall Board of Directors and the operation of functional committees, as well as the evaluation of the directors themselves.</p> <p>The Company's Board of Directors' performance evaluation covers the following five major aspects:</p> <ol style="list-style-type: none"> 1. The degree of participation in the Company's operations 2. Improvement to the quality of the Board of Directors' decision-making 3. Composition and structure of the Board of Directors 	Date/Session	Meeting Content	2023.06.26 1st Term 4th meeting	1. 2023 ESG Award Annual Implementation Plan	2023.11.29 1st Term 5th meeting	1. ESG strategy and budget for 2024	None
Date/Session	Meeting Content									
2023.06.26 1st Term 4th meeting	1. 2023 ESG Award Annual Implementation Plan									
2023.11.29 1st Term 5th meeting	1. ESG strategy and budget for 2024									

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) Does the Company regularly assess the independence of the CPAs?	V		<p>4. Election and continuing education of directors 5. Internal control</p> <p>The items to be measured for the performance evaluation of the functional committee shall at least include the following five aspects:</p> <ol style="list-style-type: none"> 1. The degree of participation in the Company's operations 2. Awareness of the duties of the functional committee. 3. Improve the quality of decision making by functional committees. 4. Composition of the functional committee and election of its members. 5. Internal control <p>In the fourth quarter of 2023, the Company commissioned Taiwan Corporate Management Institute to perform the external performance evaluation of the board of directors, and reported the results of the evaluation to the board of directors on January 24, 2024. Based on the results of the evaluation in 2023, the overall operation of the board of directors and functional committees is in good condition.</p> <p>The results of the performance evaluation of the Company's Board of Directors will be used as a reference for the selection or nomination of directors; the performance evaluation results of individual directors will be used as a reference for determining 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 Hsiao, Chun-Yuan and Lin, Chia-Hung 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 January 24, 2024, the Board of Directors and the Audit Committee reviewed and approved the appointment of 2023 CPAs and the assessment of their independence and suitability.</p>	None

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. Does the TWSE/TPEX listed company appoint competent and appropriate corporate governance personnel, and designate a corporate governance officer to be responsible for corporate governance related affairs (including but not limited to providing directors and supervisors with the information required for performing their duties, and handling board meetings and shareholders' meetings in accordance with the law, company registration and change of registration, preparation of minutes of board of directors and shareholders' meetings)?	V		<p>The Company's governance officer is the Manager of the Finance Department, Chia-Ming Tsai. She is responsible for corporate governance-related affairs, protecting shareholders' rights and interests, and strengthening the functions of the Board of Directors. Manager Chia-Ming Tsai is a qualified practicing CPA in Taiwan. The chief corporate governance officer's main duties are to handle matters related to the convening of board meetings and shareholders' meetings as per law, prepare the minutes of board meetings and shareholders' meetings, assist directors in taking office and training courses, provide them with information needed to perform their duties, and assist them with compliance.</p> <p>Business implementation in 2023 is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors in continuing education. 2. Evaluate and purchase "Directors' and Key Officers Liability Insurance", and explain the insured amount, coverage and insurance premiums in detail in the board meeting. 3. Draft the agenda of the board meeting and notify the directors 7 days before the meeting, convene the meeting and provide meeting materials, and remind the directors in advance if recusal is required due to conflict of interest. Prepare the minutes of the board meeting and distribute them to the directors within 20 days after the meeting. 4. Handle the pre-registration of the date of the shareholders' meeting according to laws, produce meeting notices, agenda handbooks, and minutes of meetings within the statutory deadline, and handle change registration matters in the case of amendments to the Articles of Incorporation or re-election of directors. 5. Communication meetings between CPAs, independent directors, auditing and financial and accounting officers are convened from time to time to implement the internal audit and internal control system. 6. The performance evaluation of the Board of Directors is conducted on a regular basis according to the "Procedures of Performance Evaluation of the Board of Directors" of the Company. At the end of each year, relevant information on the activities of the Board of Directors is collected, and relevant self-evaluation questionnaires are distributed and completed. The evaluation results are reported to the Board of Directors for review and improvement. <p>The continuing education in 2023 is as follows:</p> <p>The Corporate Governance Officer has attended courses related to the execution of his or her</p>	None

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>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 2023 are as follows:</p> <table border="1"> <thead> <tr> <th>Organizer</th> <th>Course name</th> <th>Number of hours</th> </tr> </thead> <tbody> <tr> <td>Taiwan Corporate Governance Association</td> <td>How do the directors supervise the Company's risk management and internal control</td> <td>3</td> </tr> <tr> <td>Taiwan Independent Director Association</td> <td>Latest development and practices of money laundering prevention and counter terrorism</td> <td>3</td> </tr> <tr> <td>Taiwan Stock Exchange</td> <td>2023 Cathay Sustainable Banking and Climate Change Summit</td> <td>6</td> </tr> <tr> <td>Taiwan Institute of Directors</td> <td>International Climate Change Development Trends and ESG Analysis</td> <td>3</td> </tr> </tbody> </table>	Organizer	Course name	Number of hours	Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6	Taiwan Institute of Directors	International Climate Change Development Trends and ESG Analysis	3	
Organizer	Course name	Number of hours																	
Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3																	
Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3																	
Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6																	
Taiwan Institute of Directors	International Climate Change Development Trends and ESG Analysis	3																	
5. Does the Company create communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a stakeholder section on the Company's website, and appropriately respond to stakeholders' important corporate social responsibility concerns Issues?	V		<p>The Company has set up a Stakeholders Section on the Company's website with contact persons, contact numbers, emails and other communication channels available to stakeholders for timely and proper handling of important corporate social responsibility issues that are of concern to stakeholders. Plan and discuss issues related to the economy, society, and environment that are of concern to stakeholders, and report to the Board of Directors once a year.</p>	None															
6. Does the Company appoint a professional shareholder service agency to handle shareholders' meeting affairs?	V		<p>The Company has appointed the Shareholders Service Agency Dept. of Taishin Securities to handle the shareholders' meeting affairs.</p>	None															

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	
7. Information Disclosure				
(1) Does the Company set up a website to disclose financial, business and corporate governance information?	V		The Company has established a corporate website and discloses the Company's financial and business-related information, corporate governance information and stakeholder information, etc., for the reference of shareholders and stakeholders. In addition, the Company discloses relevant information from time to time, and announces its profile and various financial and business information on the Market Observation Post System in accordance with the regulations of the competent authority.	None
(2) Has the Company adopted other means of information disclosure (e.g. setting up an English website, appointing dedicated personnel to collect and disclose information on the Company, implementing a spokesperson system, posting the proceedings of investor conferences on the Company's website)?	V		The Company has set up a Chinese and English website, and the Finance Department has assigned dedicated personnel to be responsible for the collection of information for disclosure, and has complied with the relevant information disclosure regulations of the competent authority, and has set up a spokesperson and a deputy spokesperson to communicate. In 2023, after each quarterly financial report was announced, we were invited to hold a total of four investor conferences, and the file link of the investor conference was placed under the investor section of the Company's website for easy inquiries.	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second, and third quarters and the operating status of each month before the prescribed deadline?		V	The Company's annual financial statements are announced and reported within three months after the end of the year in accordance with Article 36 of the Securities and Exchange Act; the financial statements for quarters 1, 2, and 3 and the announcement and reporting of the operating status for each month are made before the deadline.	The Company complied with the announcement and reporting deadline of the Securities and Exchange Act.
8. Does the Company have other important information that is helpful to understand the operation of corporate governance? (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors)?	V		<p>(1) Employee rights: The Company protects the rights and interests of employees by providing an opinion box for employees in accordance with the Labor Standards Act and the Company's personnel regulations.</p> <p>(2) Employee care: Provide group insurance, club activities and other welfare measures, and commission professional institutions to provide assistance for employees, including medical and health consultations.</p> <p>(3) Investor relations: The Company has a spokesperson system in place to handle investor-related matters. There is also an investor section on the Company's website. Material information about the Company in finance, business, and changes in shareholdings by insiders are disclosed on the Market Observation Post System in a timely manner to protect investors' interests.</p> <p>(4) Supplier relations: The Company has open communication and grievance channels with</p>	None

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>suppliers and stakeholders. Each dedicated department is responsible for communication and coordination to protect their legitimate rights and interests.</p> <p>(5) Stakeholders' rights: Stakeholders of the Company may contact the Company directly at any time through the mailbox or telephone number disclosed on the Company's website.</p> <p>(6) Continuing education of directors: The Company provides information on relevant laws and regulations that directors need to pay attention to and information on professional knowledge training courses organized by relevant units from time to time, and has conducted continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."</p> <p>(7) Implementation of risk management policies and risk measurement standards: In September 2021, the Company has established a functional Risk Management Committee and has also formulated risk management policies and various internal regulations. Major proposals relating to major policies for such as investments, endorsements/guarantees, loans and bank financing must be evaluated and analyzed by the appropriate responsible department and implemented in accordance with the resolution of the board of directors. The Risk Management Department is responsible for the implementation of risk management policies. The Risk Management Committee is responsible for supervising and proposing risk management policies for approval by the Board of Directors. The Audit Department formulates and executes the annual audit plan based on the risk assessment results to implement the supervision mechanism and control the execution of various risk management.</p> <p>Implementation in 2023: Risk Management Committee meetings convened in 2023 for 3 times; 2 asset quality meetings convened in 2023.</p> <p>(8) Implementation of customer policy: The Company upholds the philosophy of ethical management, continues to provide various innovative products and professional services that meet or exceed customer expectations, and specifically implements the spirit of "customer first and professionalism" to provide a full range of customer services.</p> <p>(9) The situation of the Company's purchasing liability insurance for the directors: The</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>Company has purchased the liability insurance for the directors to reduce and diversify the risk of material damage to the Company's shareholders caused by the error or negligence of the directors.</p> <p>(10) Information security risk management framework and implementation: The Company has the IT Department as the main responsible information management unit to plan and review the Company's information security projects. We have established information security management measures and policies and computerized information system control operations to ensure the confidentiality, integrity and availability of information, protect the Company's information assets from improper use and disclosure, and ensure the security of information collection, processing, transmission, storage and circulation by requiring all employees to strictly comply and maintain the Company's information security. Obtained the ISO27001 certification for the first time in December 2022, and passed the certification by SGS in November 2023. The information management unit holds monthly meetings. The discussion focuses on the review of relevant laws and regulations, such as the Personal Information Act and the Information Security Act, information security policy review and amendment, personnel education and training, network attack protection, physical equipment security enhancement, data backup/backup measures, conduct reviews and formulate countermeasures to implement information security policies and maintain information security.</p> <p>(11) Intellectual Property Rights Management Plan</p> <p>1. Intellectual property rights management policy: Through the formulation and optimization of the intellectual property management system, while deepening the cooperation with enterprises in the industry value chain, the Company strengthens intellectual property risk management, and continuously enhances the Company's brand image to enhance brand penetration; trademark acquisition, protection, maintenance, and utilization, to enhance the market's awareness of the Company's and subsidiaries' service-related brands, to facilitate the diversified development of the Company and its subsidiaries, and to strengthen training and communication to improve the Company's personnel knowledge on intellectual property, and promote the Company's compliance with corporate governance and intellectual property laws and regulations.</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>2.2023 IP management goals:</p> <p>(1) Establish a trademark-based intellectual property management mechanism</p> <p>(2) Holding at least 4 educational trainings related to the intellectual property management mechanism</p> <p>(3) Template of provisions for attribution of intellectual property between establishment and business partners</p> <p>(4) Obtained Grade A regulations from Taiwan Intellectual Property Management Standards (TIPS) (Announced on the official website of TIPS on 2023/12/29)</p> <p>3. Intellectual Property Management Manual</p> <p>4. Regulations Governing the Administration of Trademarks</p> <p>5. Regulations Governing the Management of Copyrights</p> <p>6. Management of confidential documents</p> <p>7. Intellectual property public contract</p> <p>Status of implementation: The Company plans to report the relevant status of intellectual property management and operation to the Board of Directors in the fourth quarter of each year. The most recent report was on December 14, 2023.</p> <p>Implementation of intellectual property management in 2023:</p> <p>1. Intellectual property related courses: 4 courses in total.</p> <p>(1) Basic knowledge of intellectual property: 962 people.</p> <p>(2) TIPS management policies and goals: 25 person-times in total.</p> <p>(3) Promotion of TIPS system: 152 person-times.</p> <p>(4) TIPS self-assessment: 24 people in total.</p> <p>2. The list and results of intellectual property inventory: As of December 14, 2023, the results of intellectual property rights inventory are 146 copyrights and 11 trademarks.</p> <p>3. There were no intellectual property disputes in 2023.</p> <p>(12) Restrictions on Insider Stock Transactions Prohibition of insiders, such as directors or employees, from trading marketable securities using non-public information</p> <p>1. 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>	

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	
9. Please describe the improvements made based on the corporate governance evaluation results published by the Taiwan Stock Exchange Corporation in the most recent year, and propose enhancement measures and measures for the matters that have not yet been improved. (Not required for companies not included in the evaluation)				
Improvements: <ol style="list-style-type: none"> The 2022 ESG Sustainability Report has incorporated SASB. Accredited with Taiwan Intellectual Property Management Standards (TIPS) - Grade A. 				
Priority for Improvements: <ol style="list-style-type: none"> Increase the number of female directors. 				

Note 1: 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
			Under 50	51~65	Over 66								
Yuan-Sheng Liu	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Chwen-Shing Su	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	✓			✓	✓	✓	✓	✓	✓	✓	✓
Tetsuo Higuchi (Note)	Japan	Male		✓		✓	✓	✓	✓	✓	✓	✓	✓
Ming-You Huang	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓
Wei-Lin Mao	Taiwan	Male			✓	✓	✓	-	✓	✓	✓	-	✓
Min-Jie Chang	Taiwan	Male			✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: The Corporate Director, Toyota Financial Services Co., Ltd., reappointed its representative to Abe (Hori was dismissed) on April 1, 2023, and changed to Tetsuo Higuchi (Abe was dismissed) on January 1, 2024. Independent Director Min-Jie Chang was elected on May 31, 2023.

Note 2: Criteria for evaluating the independence of CPAs.

Item	Evaluation Contents	Evaluation Results	Independence
1	Do the accountants, their spouses, or underage children invest or share financial benefits with the Company?	No	Yes
2	Has the accountant or his/her spouse or underage children borrowed funds from the Company? Except when the principal is a financial institution and has regular transactions.	No	Yes

III. Corporate Governance

Item	Evaluation Contents	Evaluation Results	Independence
3	Are the CPAs or members of the audit service team serving as directors, managers, or positions that have a significant impact on the audits of the Company currently or in the past two years?	No	Yes
4	Do the CPA or members of the audit service team promote or broker the shares or other securities issued by the Company?	No	Yes
5	In addition to the services permitted by law, do the accountants or members of the audit service team defend legal cases or other disputes on behalf of the Company and third parties?	No	Yes
6	Does the CPA or member of the audit team have a spousal relationship, direct blood relatives, relatives by marriage, or second-degree relatives and so on collateral relatives by blood, with any director, managerial officer, or any person in the Company who has a significant influence on the audit?	No	Yes
7	Do the co-practicing accountants within one year after resignation serve as the Company's directors, managers, or positions that have a significant impact on the audit?	No	Yes
8	Do the CPA or members of the Audit Service Team receive any gifts or special offers of significant value from the Company or its directors, managers or major shareholders?	No	Yes
9	Are the CPAs currently engaged by the principal or the surveyee to perform regular duties, receive fixed salaries, or serve as directors or supervisors?	No	Yes

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

III. Corporate Governance

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: Continuing Education of Directors

Job Title	Name	Date of continuing education	Organizer	Course name	Number of hours for continuing education
Chairperson	Yuan-Sen Liu	20231207	Taiwan Insurance Development Center	International Anti-Corruption and Whistleblower Protection Practices	3
		20230920	Taiwan Insurance Development Center	Fair Treatment Principle Interpretation	3
		20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230407	Taiwan Insurance Development Center	Analysis of TCFD's Implementation of Climate Governance Strategy	3
Directors	Chun-Hsing Su	20231110	Taiwan Institute of Directors	International Climate Change Development Trends and ESG Analysis	3
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230511	Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3
Directors	Roger Huang	20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230511	Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3
Directors	Leon Soo	20231110	Taiwan Institute of Directors	International Climate Change Development Trends and ESG Analysis	3
		20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230511	Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3
Directors	Ryan Huang	20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
Directors	Shin Abe	20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230511	Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3

III. Corporate Governance

Job Title	Name	Date of continuing education	Organizer	Course name	Number of hours for continuing education
Independent Director	Ming-Yu Huang	20231221	National Federation of Certified Public Accountant Associations of the Republic of China	Accountants' responsibilities in the face of shareholder disputes and the response	3
		20231213	National Federation of Certified Public Accountant Associations of the Republic of China	Money Laundering Prevention Practices and Development Trends - A Case Study of the Financial Industry	3
		20231122	Securities and Futures Institute	2023 Insider Equity Transaction Legal Compliance Education Seminar	3
		20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230221	Taiwan Corporate Governance Association	Disclosure of material information of the Company and responsibilities of directors and supervisors	3
Independent Director	Wei-Ling Mao	20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3
		20230511	Taiwan Corporate Governance Association	How do the directors supervise the Company's risk management and internal control	3
Independent Director	Min-Jie Chang	20231110	Taiwan Institute of Directors	International Climate Change Development Trends and ESG Analysis	3
		20230704	Taiwan Stock Exchange	2023 Cathay Sustainable Banking and Climate Change Summit	6
		20230531	Taiwan Independent Director Association	Latest development and practices of money laundering prevention and counter terrorism	3

III. Corporate Governance

3.4.4 Composition, Functions, and Operations of Remuneration Committee

1. Remuneration Committee Members

Title	Name	Criteria	Professional Qualification and Experience	Independence	Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member
Independent Director (Chair)	Ming-You Huang	(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	Wei-Lin Mao	(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	Min-Chieh Chang (Note)	(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: Independent director Min-Jie Chang became a member of the Remuneration Committee on November 3, 2022, and became an independent director after being elected on May 31, 2023.

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:

III. Corporate Governance

Title	Name	Attendance in Person (B)	Attendance By Proxy	Attendance Rate (%) (B/A)	Remarks
Chair	Ming-Yo Huang	4	0	100%	
Member	Wei-Lin Mao	4	0	100%	
Member	Min-Chieh Chang	4	0	100%	Independent director Min-Jie Chang became a member of the Remuneration Committee on November 3, 2022, and became an independent director after being elected on May 31, 2023.
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.

(3) The proposals and resolutions of the Remuneration Committee and the actions taken the company in response to the opinions of remuneration committee in 2023:

Date and session of the Remuneration Committee	Proposal Content	Resolution of the Remuneration Committee	The Company's handling of the Remuneration Committee's opinions
2023/3/9 3rd Term 8th meeting	1. 2022 distribution of remuneration to employees	Agreed by all attending members	No opinion from attending members
2023/5/31 3rd Term 9th meeting	1. Performance bonus for managerial officers and profit-sharing remuneration for employees for 2022	Agreed by all attending members	No opinion from attending members
2023/8/3 3rd Term 10th meeting	1. Managerial officers' salary adjustment for 2023 2. Remuneration to the Chairman 3. Formulation of the measures for employee stock subscriptions for the issuance of Class B preferred shares in connection with 2023 cash capital increase 4. Formulation of the measures for employee stock subscriptions for the issuance of Class B preferred shares in connection with the 2023 cash capital increase by managerial officers	Agreed by all attending members	No opinion from attending members
2023/12/14 3rd Term 11th meeting	1. Salary structure adjustment	Agreed by all attending members	No opinion from attending members

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 Sustainable Development Best Practice Principles of TWSE/TPExx Listed Companies and Reasons for Deviation
	Y	N	Summary	
<p>1. Does the Company establish a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit to promote sustainable development, with senior management authorizing the board of directors for handling, and the status of the supervision of the board of directors? (Listed companies should report implementation status, not compliance or interpretation.)?</p>	V		<p>In line with the vision and mission of the ESG policy, the Company established a Corporate Social Responsibility Committee in March 2019. In September 2021, in order to comply with the international trend and emphasize sustainable development issues, the committee was upgraded to enhance the effectiveness of the original ESG business implementation. It is directly under the Board of Directors and was renamed the "ESG Sustainable Management Committee." It is the highest sustainable development decision-making center within the Company. The Chairperson will act as convener and meeting chair, and with senior managers (Departmental Head and above level) from different fields, will jointly examine the Company's core operating capabilities and formulate short, medium and long-term sustainable development plans.</p> <p>The various functional teams have been set up under the committee, including the Environmental Sustainability team, Corporate Governance team, and Social Participation team, to handle the issues of concerns to different stakeholders and promote the planned work with the relevant departments of the Company, so as to carry out the planning, promotion and execution of related business.</p> <p>The "ESG Sustainable Management Committee" meeting convenes at least twice a year, and may convene a meeting at any time as needed. The Committee shall report its operation results to the Board of Directors at least once a year (including but not limited to implementation reports, stakeholder communication reports, and annual plans). The most recent report of the implementation of corporate social responsibility to the Board of Directors was on December 14, 2023, and the report on the preparation and implementation of the 2023 sustainability report to the Board of Directors was made on January 24, 2024.</p> <p>The Board of Directors regularly listens to various reports of the management team, including the ESG report. From time to time, the management team conduct the implementation, progress monitoring, and review of sustainable development strategies and topic proposals after the evaluation and resolution of the Board of Directors. On the implementation, please refer to the Company's ESG Sustainability Report.</p>	None

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. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?	V		The Company follows the materiality principle of the GRI Standards and uses the four major procedures of "Identify, Sort, Confirm, and Review" to identify material topics and select the key sustainability topics. Material topics are analyzed and ranked in order to determine the priority of environmental, social (including human rights) and corporate governance issues, and to formulate relevant management strategies or performance targets. Please refer to the Company's ESG Sustainability Report for the implementation.	None
3. Environmental Issues				
(1) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	V		The Company establishes guidelines for garbage sorting in accordance with the Waste Disposal Act, and disinfects the offices once a quarter. In addition, the Company cooperates with the Building Management Committee to conduct annual fire safety inspections and regular elevator security inspections to jointly maintain the working environment. There are also 5S implementation specifications to improve the quality of the working environment and records, eliminate "mess", improve "efficiency", and increase "production capacity".	None
(2) Is the Company committed to improving the efficiency of energy use and using recycled materials with low impact on the environment?	V		The Company continues to promote various measures for energy conservation and carbon reduction to respond to the impact of environmental changes. 1. Introduce office energy-saving equipment, give preference to high-efficiency energy-saving lighting equipment, Grade 1 energy-efficient appliances, and implement a half-hour light-off during lunch breaks to reduce energy waste. 2. All business locations have implemented garbage sorting, and promoted the reuse of recycled paper, double-sided printing of documents, paperless credit reporting, and the shredding of expired documents to reduce the impact on the environment. 3. Reutilization of resources, including the maintenance of information and computer equipment and donating them to NPO organizations in need, through recycling, to reduce ecological load.	None
(3) Does the Company evaluate the potential risks and opportunities posed by climate change to the Company at present and in the future, and take countermeasures in response to climate-related issues?	V		The Company actively responds to climate change issues and plans management measures. In 2021, we signed up for the Task Force on Climate-related Financial Disclosures (TCFD) and adopted the TCFD framework recommended by the Financial Stability Board (FSB) to disclose climate risks and opportunities, and we increase the scope of disclosures year by year to build a complete climate change governance mechanism.	None

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>Major issues on physical and transitional risks are as follows. Physical risk: Immediate physical risk, such as increased severity of extreme weather events such as typhoons and floods.</p> <p>Transition risk: Changes in customer behavior and uncertainty of market information are market risks, and consumer preferences for reputation risk are changes.</p> <p>In addition, opportunities with significant impact are: The adoption of incentive policies for energy sources, as well as products and services related to the development of climate adaptation and insurance risk solutions, the development of new products and services for R&D and innovation, and changes in consumer preferences.</p> <p>The Company has formulated management actions and targets for mitigation and adjustment in response to major climate risks and opportunities. For example, in the face of market risks, the Company actively understands the market trend of green products and pays attention to customer needs in order to adjust products and services in a timely manner, such as providing preferential interest rates for eco-friendly vehicles. Please refer to the Company's ESG Sustainability Report for the content of climate risks and opportunities.</p>	
(4) Has the Company kept statistics on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulated policies for energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	V		<p>The Company has implemented the inventory of greenhouse gas emissions in the past two years in accordance with the international standard ISO 14064-1, and entrusted a third party (SGS) for the inspection. For greenhouse gas emission, water consumption and waste generation, please refer to the Company's ESG Sustainability Report.</p> <p>The Company actively responds to Taiwan's 2050 net zero emission goal, promotes various environmental management operations based on the scientific and quantitative data from ISO 14064-1 greenhouse gas inventory, and plans a net zero blueprint to review and adjust actions and goals on a rolling basis on a regular basis.</p> <p>Concurrently, establish an environmental management information system, implement an environmental culture, and disclose information on the official website and ESG sustainability report.</p> <p>For greenhouse gas emission reduction of Scope 1 corporate vehicles, we plan to reduce the number of fuel-powered vehicles; for Scope 2 electricity consumption and carbon emissions, we actively advocate power saving, procurement of Grade 1 energy-efficient appliances, and promotion of green energy industries; scope 3 targets on waste reduction and promote digital to go paperless. For the content of other greenhouse gas management actions, please refer to the Company's ESG Sustainability Report.</p>	None

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. Social Issues				
(1) Has the Company established relevant management policies and procedures in accordance with applicable laws and International Bill of Human Rights?	V		The Company has clearly stipulated in the personnel regulations in accordance with the Labor Standards Act and the Act of Gender Equality in Employment that the employment, promotion and various evaluations of human resources are not based on gender, race, social and economic class, age, marriage and family status. The Company has complied with the Labor Standards Act for all employees.	None
(2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave and other benefits, etc.), and appropriately reflect the operating performance or results in the employee remuneration?	V		<p>The Company's employee welfare measures such as: competitive annual salaries, year-end bonuses are better than the market level, Bonus, Annual Salary Adjustment, Incentives (incentives determined by position), Group Insurance, Accident Insurance, Gifts for Three Festivals, Birthday Gifts, Scholarships, Discounts at Designated Stores, Subsidies for Foreign Language Training, Foreign Language Test Score Incentives, and employee car discounts, regular health checkups, medical subsidies, weddings, funerals, births, hospitalization subsidies and consolation funds for employees and dependents, travel subsidies, competition tours, and a variety of club activities.</p> <p>The Company has formulated a reasonable salary policy, cooperated with the performance appraisal system, effectively implemented rewards and disciplines, and linked operating performance to reflect performance bonuses. All benefits are designed according to the laws and regulations, and the benefits system is designed to meet the needs of employees.</p>	None
(3) Does the Company provide employees with a safe and healthy work environment, and provide employees with safety and health education on a regular basis?	V		<p>With the principle of safety first, the Company is committed to providing a safe working environment and planning and implementing safety protection measures to build a safe and reliable working environment. The specific measures are as follows:</p> <ol style="list-style-type: none"> 1. Occupational safety and health officers are appointed in each office of the Company in accordance with the regulations. 2. Fire-fighting facilities are built in accordance with regulations. 3. First aid kits are available, and the offices are equipped with automated external defibrillators (AED). 4. Regular health checkups are provided according to employees' ages to care about their health. 5. Decorate offices in accordance with building or fire safety regulations. 6. The office is equipped with central air-conditioning and sufficient lighting, and access control is used to protect the safety of employees. 7. The workplace is disinfected once a quarter. 	None

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) Does the Company establish an effective career ability development training program for employees?	V		<p>8. Replacement of water dispenser filters on a regular basis.</p> <p>9. Conduct fire drills and earthquake drills in conjunction with the office building.</p> <p>10. In the event of a disaster, operations shall be stopped immediately, rescue efforts shall be provided, and employees shall be granted work injury leave in accordance with the law.</p> <p>11. Assist employees in applying for labor insurance and group insurance subsidies, and provide employees with the assistance they need in the shortest time possible in the event of accidents.</p> <p>12. Regular online e-newsletters on stress relief related topics and relaxation rooms are available.</p> <p>13. Nursing and breastfeeding rooms are available for employees to use.</p> <p>In 2023, there were no fires and other occupational disasters, and no occupational disasters occurred to employees.</p> <p>The Company formulates annual education and training plans every year. For the functional courses of employees at all levels, in addition to physical courses, an online learning platform is provided to improve learning efficiency in a variety of ways. Rotation, foreign language subsidies, and external training applications are also applied to continue to cultivate employees' future development.</p> <p>Employee training focuses on competency training and online education and training:</p> <p>Competency training: Propose plans for each level and extend them to various training courses such as manager consensus camp, sales executive incubation class, enterprise core skill development class, high-potential talent development class, business consensus camp, and newcomer consensus camp.</p> <p>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.</p> <p>Mandatory Online Education and Training: We provide diversified and rich online courses. This year, we have planned the MBA Academy, which is divided into the Financial Management Academy, Marketing Academy, and Business Sales Academy to make the online courses more diversified and complete.</p>	None

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	
(5) Des the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant policies and complaint procedures to protect consumers' or customers' rights and interests?	V		<p>In line with the Company's vision to provide diversified learning channels and training resources, we focus on the sustainable and all-round learning and development of employees to achieve the goal of developing and retaining of talents, and organizational co-prosperity. The following are taken for this purpose:</p> <p>A complete competency structure, rich online elective courses, reasonable rotation system, and adequate foreign language learning. In 2023, a total of 59 employee training courses (including online courses), with a total of 20,699 people, completed the training.</p> <p>The Company's marketing procedures are in compliance with the requirements and restrictions on the use of personal information of the Personal Data Protection Act; the provision of products and services fully complies with the relevant provisions of the Consumer Protection Act, so that consumers have sufficient contract review period to understand the contents of the service or product. Marketing and labeling also follow the relevant provisions of the Fair Trade Act. The Company also attaches great importance to customer opinions. In addition to timely visiting and caring, the Company also provides a contact number, email address and official Line account on the Company's website for customers to ask questions and provide a channel for suggestions. We uphold the spirit of integrity principle by appropriate handling and feedback to protect the rights and interests of consumers and customers.</p>	None
(6) Des the Company have a supplier management policy defined to require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights, and the implementation status thereof?	V		<p>The Company has established supplier management procedures for suppliers, and conducts supplier evaluation and assessment in the fourth quarter of each year for qualified and registered suppliers. For the registered suppliers, before dealing with the Company, in addition to signing the integrity commitment to ensure that there is no bribe acceptance and compliance with relevant laws and regulations, all suppliers must sign the supplier commitment. Committed to environmental protection and compliance with policies and laws, we also provide counseling and communication with suppliers to pursue the sustainable development of the company and partners.</p> <p>In 2023, a total of 48 suppliers were collaborating with HFC, and the supplier assessment ratio was 100%. As a result, 48 suppliers were rated Grade A, 0 suppliers rated Grade B, and 0 suppliers rated Grade C.</p>	None

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	
			Contents of supplier counseling and communication in 2023: 1. Introduction to the Occupational Safety and Health Act. 2. Analysis of major occupational hazards.	
5. Does the Company prepare reports disclosing the Company's non-financial information, such as the Sustainability Report, with reference to international reporting standards or guidelines? Has the said reports been certified or guaranteed by a third-party verification unit?	V		Starting from 2019, the Company compiles the sustainability report annually based on the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" and the Global Reporting Initiative (GRI) GRI Standards. At the same time, the Company commissioned BSI (Taiwan) to verify the report's core options in accordance with the GRI Standards and AA1000 AS 1st verification type medium assurance level. Independent limited assurance in accordance with the Standards No. 3000 "Assurance for Audits or Reviews of Non-Historical Financial Information" issued by the Accounting Research and Development Foundation of the Republic of China. The 2023 Sustainability Report will be published on the Company's official website and the Market Observation Post System upon its completion.	None
6. If the Company has established its own sustainable development best-practice principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practices and any deviations from the Best-Practice Principles: The Company has established the "Sustainable Development Best-Practice Principles" and the Company will continue to abide by the provisions of the Principles, which has no significant deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."				
7. Other important information helpful to understand the Company's implementation of sustainable development: (1) Taiwan Index - included in the Corporate Governance 100 Index (2) Ranking in the top 6% - 20% of the 9th Corporate Governance Evaluation of TWSE/TPEX Listed Companies (3) Commonwealth Magazine's "Top 20 Enterprise Survey 2000" (4) AREA Asia CSR Award - People Investment Award (5) The Taiwan Corporate Sustainability Awards (TCSA) Corporate Sustainability Report Awards – Gold Award (6) TSAA Taiwan Sustainability Awards - Bronze Award - Social Inclusion (7) TTQS Talent Development Quality Management System – Gold (8) Taiwan Institute of Directors Foreign Investment Top 100 (9) Businessweek's carbon competitiveness top 100 (10) Shortlisted for PwC Taiwan - Sustainability Impact Award (11) Small and Medium Enterprise and Startup Administration, MOEA, BuyingPower Social Innovation Procurement Award - Participant				

III. Corporate Governance

3.4.6 Implementation of climate-related information

Evaluation item	Status of implementation																																					
1. State board and management's oversight and governance of climate-related risks and opportunities.	The Board of Directors is the highest supervisory and governing body for climate change issues. The management and control mechanism for relevant issues is established under the ESG Committee, under which various task forces are established, including the environmental sustainability, the corporate governance, and the social participation task forces to respond to different stakeholders' issues of concern and work with the relevant departments to plan and execute ESG projects. They hold meetings at least twice a year and report their operations and results to the Board of Directors at least once per year.																																					
<p>2. State how the identified climate risks and opportunities affect an enterprise's business, strategy, and finance (in the short, medium, and long term).</p> <p>3. State the financial impact of extreme climate events and transition actions.</p>	<p>Impacts of climate risk issues on the Company</p> <table border="1" data-bbox="544 573 1449 1218"> <thead> <tr> <th>Category</th> <th>Risk</th> <th>Impact period</th> <th>Financial impact</th> </tr> </thead> <tbody> <tr> <td>Immediate risk</td> <td>Increased severity of extreme weather events, such as typhoons and floods</td> <td>Mid- and long-term</td> <td>Losses or business interruption caused by natural disasters may not only increase costs but reduce revenue.</td> </tr> <tr> <td rowspan="2">Market Risk</td> <td>Changes in customer behavior</td> <td>Medium term</td> <td>Decrease in market share affects the Company's revenue</td> </tr> <tr> <td>Uncertainty in market information</td> <td>Mid- and long-term</td> <td>Collateral value and operation preparation time are impacted, and costs rise</td> </tr> <tr> <td>Reputation risk</td> <td>Changes in customer preferences</td> <td>Mid- and long-term</td> <td>Poor ESG performance or lack of sustainable products or services of brands affect consumers' or customers' willingness to collaborate, resulting in a decrease in revenue</td> </tr> </tbody> </table> <p>Impacts of climate opportunity issues on the Company</p> <table border="1" data-bbox="544 1308 1449 1778"> <thead> <tr> <th>Category</th> <th>Climate change Opportunity issue</th> <th>Impact period</th> <th>Financial impact</th> </tr> </thead> <tbody> <tr> <td>Energy source</td> <td>Adopt incentive policies</td> <td>Mid-to-long-term</td> <td>Reduce investment costs and increase revenue</td> </tr> <tr> <td rowspan="3">Products and services</td> <td>Develop climate adaptation and insurance risk solutions</td> <td>Mid-to-long-term</td> <td>Provide diverse products and services to increase revenue</td> </tr> <tr> <td>R&D and innovation of new products and services</td> <td>Mid-to-long-term</td> <td>Increase new products and service opportunities and strengthen customers' and investors' support</td> </tr> <tr> <td>Changes in consumer preferences</td> <td>Mid-to-long-term</td> <td>Seize opportunities for investment in green energy early to increase revenue</td> </tr> </tbody> </table> <p>Please refer to the Company's ESG Sustainability Report for details.</p>	Category	Risk	Impact period	Financial impact	Immediate risk	Increased severity of extreme weather events, such as typhoons and floods	Mid- and long-term	Losses or business interruption caused by natural disasters may not only increase costs but reduce revenue.	Market Risk	Changes in customer behavior	Medium term	Decrease in market share affects the Company's revenue	Uncertainty in market information	Mid- and long-term	Collateral value and operation preparation time are impacted, and costs rise	Reputation risk	Changes in customer preferences	Mid- and long-term	Poor ESG performance or lack of sustainable products or services of brands affect consumers' or customers' willingness to collaborate, resulting in a decrease in revenue	Category	Climate change Opportunity issue	Impact period	Financial impact	Energy source	Adopt incentive policies	Mid-to-long-term	Reduce investment costs and increase revenue	Products and services	Develop climate adaptation and insurance risk solutions	Mid-to-long-term	Provide diverse products and services to increase revenue	R&D and innovation of new products and services	Mid-to-long-term	Increase new products and service opportunities and strengthen customers' and investors' support	Changes in consumer preferences	Mid-to-long-term	Seize opportunities for investment in green energy early to increase revenue
Category	Risk	Impact period	Financial impact																																			
Immediate risk	Increased severity of extreme weather events, such as typhoons and floods	Mid- and long-term	Losses or business interruption caused by natural disasters may not only increase costs but reduce revenue.																																			
Market Risk	Changes in customer behavior	Medium term	Decrease in market share affects the Company's revenue																																			
	Uncertainty in market information	Mid- and long-term	Collateral value and operation preparation time are impacted, and costs rise																																			
Reputation risk	Changes in customer preferences	Mid- and long-term	Poor ESG performance or lack of sustainable products or services of brands affect consumers' or customers' willingness to collaborate, resulting in a decrease in revenue																																			
Category	Climate change Opportunity issue	Impact period	Financial impact																																			
Energy source	Adopt incentive policies	Mid-to-long-term	Reduce investment costs and increase revenue																																			
Products and services	Develop climate adaptation and insurance risk solutions	Mid-to-long-term	Provide diverse products and services to increase revenue																																			
	R&D and innovation of new products and services	Mid-to-long-term	Increase new products and service opportunities and strengthen customers' and investors' support																																			
	Changes in consumer preferences	Mid-to-long-term	Seize opportunities for investment in green energy early to increase revenue																																			
4. State how climate risk identification, assessment, and management processes are integrated into the risk management system.	<p>The Company integrates the concept of climate risk into all operations and business contents, identifies potential climate risks/opportunities, analyze risks/opportunities, evaluates and decides on countermeasures, and manages them centrally and implements them at different levels according to their characteristics and impact levels in order to effectively control risks and opportunities. The steps for identifying and assessing climate risks and opportunities are as follows:</p> <ol style="list-style-type: none"> 1. Identification: Collection of literature, industrial climate related risk and opportunity issues 																																					

III. Corporate Governance

Evaluation item	Status of implementation																									
	2. Assessment: Climate-related risks and opportunities are inventoried and assessed. Issues are summarized and sorted by their significant impact on the Company. 3. Response: The ESG Committee reviews and confirms such issues integrates them into the Company's existing risk management process for management. 4. Report: Regular tracking and review of the implementation results																									
5. If scenario analysis is adopted to assess resilience to climate change risks, state the scenarios, parameters, assumptions, and analysis factors used, and major financial impacts.	The Company introduced the scenario analysis model in advance, followed the results of the identification of climate change risks and opportunities, and selected the physical risk - "increased severity of extreme weather events such as typhoons and floods" - and opportunities - "the R&D and innovation in the development of products and services" - as quantitative analysis based on the SSP5-8.5 Climate Scenario of the IPCC AR6 report as the assumption. For details, please refer to the Company's ESG Sustainability Report.																									
6. If there is a transition plan for coping with climate-related risks, state the content of the plan and the indicators and targets used to identify and manage physical and transition risks.	The Company follows the ISO 14064-1 warm-up results every year to track emission hotspots regularly, set quantitative tracking indicators in response to various climate risks and opportunities, and conduct rolling reviews and adjustments. For example: In response to market risks, the Company actively plans a variety of green financial products; in response to the increasing demand for renewable energy in the market, the Company invests in the development of the green energy industry. Please refer to the Company's ESG Sustainability Report for details.																									
7. If an internal carbon pricing mechanism is adopted as a planning tool, the basis for pricing should be stated.	None.																									
8. If climate-related targets are set, state the activities covered, scope of greenhouse gas emissions, planned schedule, annual progress, and other information; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant targets, state the source and quantity of carbon credits or the quantity of RECs used.	None.																									
9. Greenhouse gas inventory and assurance status, as well as reduction targets, strategies and concrete action plans.																										
(1) The Company's greenhouse gas inventory and assurance in the last 2 years:																										
The Company has implemented the ISO 14064-1:2018 greenhouse gas inventory and assurance for 4 consecutive years, expanding the scope of the inventory each year, and completing the inventory of individual companies and obtaining a third-party verification statement in 2022, 5 years ahead of the law, in 2023 we have carried out the GHG inventory and inspection of the consolidated subsidiary. The annual greenhouse gas emission information of the Company is publicly disclosed in the ESG Sustainability Report of the year and the Company's official website.																										
<table border="1"> <thead> <tr> <th data-bbox="172 1503 405 1570">GHG inventory year</th> <th data-bbox="405 1503 528 1570">2020</th> <th data-bbox="528 1503 663 1570">2021</th> <th data-bbox="663 1503 874 1570">2022</th> <th data-bbox="874 1503 1398 1570">2023</th> </tr> </thead> <tbody> <tr> <td data-bbox="172 1570 405 1693">Boundary of inventory</td> <td colspan="2" data-bbox="405 1570 663 1693">HOTAI FINANCE CO., LTD. Headquarters</td> <td data-bbox="663 1570 874 1693">HOTAI FINANCE CO., LTD.</td> <td data-bbox="874 1570 1398 1693">HOTAI FINANCE CO., LTD., Heyun International Finance Leasing Co., Ltd., HE JING CO., LTD., HE JUN ENERGY CO., LTD. and iRent Services</td> </tr> <tr> <td data-bbox="172 1693 405 1738">Scope of inventory</td> <td colspan="4" data-bbox="405 1693 1398 1738">Direct emissions, energy indirect emissions, and other indirect emissions</td> </tr> <tr> <td data-bbox="172 1738 405 1805">External verification unit</td> <td colspan="4" data-bbox="405 1738 1398 1805">SGS Taiwan Ltd.</td> </tr> <tr> <td data-bbox="172 1805 405 1872">Verification standard</td> <td colspan="4" data-bbox="405 1805 1398 1872">ISO 14604-1:2018 compliant</td> </tr> </tbody> </table>		GHG inventory year	2020	2021	2022	2023	Boundary of inventory	HOTAI FINANCE CO., LTD. Headquarters		HOTAI FINANCE CO., LTD.	HOTAI FINANCE CO., LTD., Heyun International Finance Leasing Co., Ltd., HE JING CO., LTD., HE JUN ENERGY CO., LTD. and iRent Services	Scope of inventory	Direct emissions, energy indirect emissions, and other indirect emissions				External verification unit	SGS Taiwan Ltd.				Verification standard	ISO 14604-1:2018 compliant			
GHG inventory year	2020	2021	2022	2023																						
Boundary of inventory	HOTAI FINANCE CO., LTD. Headquarters		HOTAI FINANCE CO., LTD.	HOTAI FINANCE CO., LTD., Heyun International Finance Leasing Co., Ltd., HE JING CO., LTD., HE JUN ENERGY CO., LTD. and iRent Services																						
Scope of inventory	Direct emissions, energy indirect emissions, and other indirect emissions																									
External verification unit	SGS Taiwan Ltd.																									
Verification standard	ISO 14604-1:2018 compliant																									
(2) Greenhouse gas reduction goals, strategies and specific actions:																										
HOTAI FINANCE CO., LTD. echoes Hotai Group's "2050 carbon neutrality" goal as its sustainable vision. It implements the tracking of greenhouse gas emissions and formulates an environmental policy statement. Striving to realize the goal of sustainable environment, HOTAI FINANCE CO., LTD. actively develops green finance and green energy on the basis of our core business in line with international trends and standards. The Company follows the ISO 14064-1 survey results to track emission hotspots on a regular basis and conduct rolling reviews and adjust management actions. At the same time,																										

III. Corporate Governance

Evaluation item		Status of implementation		
<p>the Company has established an environmental management information system, implemented an environmental protection culture, and disclosed information to the public. Based on the scientific and quantitative data in ISO 14064-1, the industrial characteristics of the Company, the energy consumption of "Scope 1 gasoline, Scope 2 electricity, and Scope 3 water and waste treatment" are emission hotspots.</p>				
2050 Goals				2023 specific results
Category	Emission source	Strategic actions	Quantitative Target	
Scope 1	Gasoline	<ol style="list-style-type: none"> Replacing business vehicles with electric/petrol scooters Encouragement in taking public transportation 	Setting up a zero-fuel vehicle Objective	<ol style="list-style-type: none"> The proportion of non-pure diesel vehicles has reached 30.6% (2 electric vehicles, 17 petrol-electric hybrid vehicles, 43 diesel vehicles) Encourage employees to share the use of the Group's yoxi taxis
Scope 2	Electricity	<ol style="list-style-type: none"> Optimization of air conditioning operation Promotion of first-class products for electrical appliances Promoting green energy 	Externally-purchased electricity Net Zero Carbon Emission	<ol style="list-style-type: none"> Electricity consumption per capita is 1320.52KWH (↘ 0.29%) The average power consumption per million revenues is 84.09 KWH (11.5%) 211 (↗486%) metered solar energy sites with a total installation capacity of 60.1MW (↗432%) and an estimated annual carbon reduction effect of 36,593 tons of CO₂e
Scope 3	Water consumption	<ol style="list-style-type: none"> Installation of water-saving devices Water conservation policy advocacy and promotion 	Set a progressive set of 1% per capita water usage	<ol style="list-style-type: none"> Water consumption per capita: 9.04thousand liters (↗4.47%) Installation of sensor faucets and water-saving toilets in the toilets of the head office
	Waste	<ol style="list-style-type: none"> Implementation of paper recycling and document destruction Promoting digital paperless 	Paperless Quantity	<ol style="list-style-type: none"> Document destruction recycling 8.26 metric tons (↘ 45.4 %)
Others		Raise sustainability awareness among employees	Full employee participation	<ol style="list-style-type: none"> Advocacy of Wetland Conservation <ol style="list-style-type: none"> A total of 132 participants 224 kg of exotic species removed Organizing ESG training courses <ol style="list-style-type: none"> Number of employees 1,091 persons Accumulated hours of 545.5 hours

III. Corporate Governance

3.4.7 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.	None
(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.	None
(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.	None

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.	None
(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 14, 2023, the implementation of the integrity management supervision for the year has been reported to the 22nd meeting of the 10th Board of Directors.</p>	None
(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>	None
(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.	None

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 2023, 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: 996 students/class Class Hours: 30~60 minutes/class Total Number of Class Hours per Person: 4.5 hours</p>	None
<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>	None
<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>	None
<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>	None
<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>	None
<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>				

III. Corporate Governance

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"> • 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. • We actively promote operating transparency and encourage the cooperation of our business partners (including dealers and suppliers) to maintain the reputation of our business. 				

3.4.8 Corporate Governance Guidelines and Regulations

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

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

III. Corporate Governance

3.4.10 Implementation Status of Internal Control

1. Statement of Internal Control

Hotai Finance Co., Ltd.
Statement of Internal Control

Date: March 12, 2024.

Based on an evaluation of our internal control system for the year 2023, 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, 2023, 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 12, 2024, with nine directors present at the meeting.

Yuan-Sheng Liu
Chairman

Yen-Liang Lin
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

3.4.11 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

3.4.12 Major Resolutions of the Shareholders Meeting and Board Meetings

(1) Major Resolutions of the 2023 Annual General Meeting of Shareholders

Meeting date	Acknowledgment and discussion of motions	Resolution	Status of implementation
2023/5/31	Ratification of 2022 business report and financial statements	Passed	The relevant financial statements have been announced and reported as required.
	Ratification of 2022 earnings distribution	Passed	1. Type-A special dividend (approximately NTD 1.17 per share) Common stock cash dividends (NTD 3.5 per share) Stock dividends for common shares (NTD 1.0 per share) 2. Ex-dividend date, ex-rights date and issuance of new shares for capital increase: July 21, 2023 Special dividend and common stock cash dividend distribution date: August 18, 2023
	Issue new shares for capital increase by earnings	Passed	51,500,041 shares (NTD 10 per share) were issued for capital increase, and 100 shares were distributed for every 1,000 shares.
	Amendment to the "Articles of Incorporation"	Passed	Announcement has been made on the corporate website.
	Amendment to the "Procedures for Derivative Transactions"	Passed	Announcement has been made on the corporate website.
	Lifting of non-compete restrictions on directors	Passed	The announcement will be made on MOPS after the AGM on May 31, 2023.
	Election of a by-election for an independent director	Passed	Independent Director Min-Jie Chang was elected on May 31, 2023 and assumed office, and announcement was made on the Market Observation Post System.

III. Corporate Governance

(2) Important resolutions of the Board of Directors from 2023 to the publication date of the annual report:

Meeting date	Term of session	Resolution
2023/1/16	10th Term 16th meeting	<ol style="list-style-type: none"> 1. Appointment of CPAs and evaluation of independence and suitability 2. Personnel Proposal 3. Financing Endorsement/Guarantee to HE JING CO., LTD. and its correspondent bank 4. Proposal of issuing the Letter of Support (LOS) for the financing between Hoyun International Leasing Co., Ltd. and its correspondent bank. 5. Proposal of issuing the Letter of Support (LOS) for the financing between Weidian Energy Storage Technology Co., Ltd. and its correspondent bank.
2023/3/9	10th Term 17th meeting	<ol style="list-style-type: none"> 1. 2022 Business Report and Financial Statements 2. 2022 distribution of remuneration to employees 3. 2022 distribution of earnings proposal 4. Issue new shares for capital increase by earnings 5. Amendment to the Company's "Articles of Incorporation" 6. Amendment to the Company's "Procedures for Derivative Transactions" 7. Election of a by-election for an independent director 8. Lifting of non-compete restrictions on directors 9. Matters Relating to the Convening of the 2023 Annual General Meeting of Shareholders 10. Lifting of non-compete restrictions on managers 11. Statement on Internal Control System 12. Financing Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent bank 13. Financing Endorsement/Guarantee to be made to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and its correspondent bank 14. Proposal of issuing the Letter of Support (LOS) for the financing between HE JING CO., LTD. and its correspondent bank 15. Proposal of issuing the Letter of Support (LOS) for the financing between HE JUN ENERGY CO., LTD. and its correspondent bank 16. Proposal of issuing the Letter of Support (LOS) for the financing between Hoyun International Leasing Co., Ltd. and its correspondent bank. 17. Proposal of issuing the Letter of Support (LOS) for the financing between Hoyun (Shanghai) Commercial Factoring Co., Ltd. and its correspondent bank.
2023/5/4	10th Term 18th meeting	<ol style="list-style-type: none"> 1. 2023 Q1 Consolidated Financial Statements 2. Personnel Proposal 3. The purchase of office space in New Taipei City 4. Participation in the subscription of the capital increase in cash by HE JING CO., LTD. 5. Proposal to acquire part of the equity of Cambodia-based Ly Hour Leasing PLC. 6. Proposal to issue preferred shares B for cash capital increase. 7. Financing Endorsement/Guarantee to be made to Hoyun (Shanghai) International Leasing Co., Ltd. and its correspondent bank 8. Proposal of issuing the Letter of Support (LOS) for the financing between HE JUN ENERGY CO., LTD. and its correspondent bank 9. Proposal of issuing the Letter of Support (LOS) for the financing between Hoyun International Leasing Co., Ltd. and its correspondent bank. 10. Amendment to the internal control system

III. Corporate Governance

Meeting date	Term of session	Resolution
		11. Amendments to Corporate Governance Related Regulations
2023/5/31	10th Term 19th meeting	<ol style="list-style-type: none"> 1. Performance bonus for managerial officers and profit-sharing remuneration for employees for 2022 2. Issue new shares for capital increase by earnings 3. Determination of ex-dividend date, ex-right date and reference date for issuance of new shares by capitalization of earnings 4. Appointment of Risk Management Committee members
2023/8/3	10th Term 20th meeting	<ol style="list-style-type: none"> 1. 2023 Q2 Consolidated Financial Statements 2. Formulation of the measures for employee stock subscriptions for the issuance of Class B preferred shares in connection with 2023 cash capital increase 3. Formulation of the measures for employee stock subscriptions for the issuance of Class B preferred shares in connection with the 2023 cash capital increase by managerial officers 4. Managerial officers' salary adjustment for 2023 5. Remuneration to the Chairman 6. Financing Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent bank 7. Proposal to issue common corporate bonds 8. Proposal to raise overseas loans 9. Plan to organize a syndicated loan 10. Proposal of issuing the Letter of Support (LOS) for the financing between HE JING CO., LTD. and its correspondent bank 11. Proposal of issuing the Letter of Support (LOS) for the financing between Hoyun International Leasing Co., Ltd. and its correspondent bank.
2023/11/8	10th Term 21st meeting	<ol style="list-style-type: none"> 1. 2023 Q3 Consolidated Financial Statements 2. Proposal to establish a subsidiary to operate corporate banking business 3. Proposal of issuing the Letter of Support (LOS) for the financing between HE JING CO., LTD. and its correspondent bank 4. Proposal of issuing the Letter of Support (LOS) for the financing between HE JUN ENERGY CO., LTD. and its correspondent bank
2023/12/14	10th Term 22nd meeting	<ol style="list-style-type: none"> 1. 2024 Budget 2. 2024 audit plan 3. Salary structure adjustment 4. Personnel Proposal 5. Acquisition of the right-of-use of property from a related party by leasing 6. Proposal of issuing the Letter of Support (LOS) for the financing between HE JING CO., LTD. and its correspondent bank 7. Proposal of issuing the Letter of Support (LOS) for the financing between Hoyun International Leasing Co., Ltd. and its correspondent bank. 8. Amendment to the Company's "Procedures for Endorsement and Guarantee" 9. Amendments to Corporate Governance Related Regulations
2024/1/24	10th Term 23rd meeting	<ol style="list-style-type: none"> 1. Appointment of CPAs and evaluation of independence and suitability 2. Personnel Proposal 3. Proposal to implement employee stock ownership trust 4. Proposal to raise overseas loans 5. Endorsement/Guarantee to HE JUN ENERGY CO., LTD. and its correspondent financial institutions 6. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co.,

III. Corporate Governance

Meeting date	Term of session	Resolution
		<p>Ltd. and Its Financial Institutions</p> <p>7. Proposal of issuing a Letter of Support (LOS) for financing between BILLION SUNPOWER CO., LTD., Chengyo Energy Co., Ltd and Hung Yang Energy, and its counterparty financial institutions</p> <p>8. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions</p>
2024/3/12	10th Term The 24th meeting	<p>1. 2023 Business Report and Financial Statements</p> <p>2. 2023 distribution of remuneration to employees</p> <p>3. 2023 distribution of earnings proposal</p> <p>4. Issue new shares for capital increase by earnings</p> <p>5. Amendment to the Company's "Articles of Incorporation"</p> <p>6. Full re-election of directors</p> <p>7. Lifting of non-compete restrictions on the newly elected directors and their representatives</p> <p>8. Matters Relating to the Convening of the 2024 Annual General Meeting of Shareholders</p> <p>9. Lifting of non-compete restrictions on managers</p> <p>10. Statement on Internal Control System</p> <p>11. Proposed sale of domestic property to a related party</p> <p>12. Financing endorsement/guarantee to be made to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and its correspondent financial institutions</p> <p>13. Proposal for issuing the Letter of Support (LOS) for the financing between HE JING CO., LTD. and its counterparty financial institutions</p> <p>14. Proposal for issuing the Letter of Support (LOS) for financing between HE JUN ENERGY CO., LTD. and its correspondent financial institutions.</p> <p>15. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions</p> <p>16. Amendments to Corporate Governance Related Regulations</p>

3.4.13 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.

3.4.14 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
PricewaterhouseCoopers Taiwan	Chun-Yuan Hsiao Chia-Hung Lin	2023/1/1 ~ 2023/12/31	\$4,265	\$3,592				\$7,857	Non-audit fees shall refer to tax compliance audit, company registration, transfer pricing report, ESG Counselling, and other project consultation
				System Design	Company Registration	Human Resources	Other Services		
				—	\$176	—	\$3,416		

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	2023		As of March 31, 2024	
		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.	23,379,043	—	—	—
Director Representative of Corporate Shareholder	Yuan-Sheng Liu	—	—	—	—
Director Representative of Corporate Shareholder	Roger Huang	—	—	—	—
Director Representative of Corporate Shareholder	Chwen-Shing Su	—	—	—	—
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	11,824,987	—	—	—
Director Representative of Corporate Shareholder (Note1)	Masayoshi Hori	—	—	—	—
Director Representative of Corporate Shareholder (Note1)	Shin Abe	—	—	—	—
Director Representative of Corporate Shareholder (Note1)	Tetsuo Higuchi	—	—	—	—
Independent Director	Ming-You Huang	—	—	—	—
Independent Director	Wei-Lin Mao	—	—	—	—
Independent Director (Note 2)	Min-Chieh Chang	—	—	—	—
President	Yen-Liang Lin	24,000	—	5,000	—
Senior Vice President and Chief Finance Officer	Wen-Chung Liao	200 / 2,000*	—	—	—
Vice President	Jui-Chi Lin	—	—	—	—
Senior Manager	Chun-I Tu	10,000	—	5,000	—
Senior Manager	Chin-Tso Liao	2,000	—	—	—
Senior Manager (Note 3)	Kai-Jung Yang	—	—	—	—
Senior Manager (Note 3)	Po-Song Wu	—	—	—	—
Senior Manager (Note 3)	Jia-Feng Lee	4,000	—	—	—
Senior Manager (Note 3)	Tao-Ming Chang	—	—	—	—
Chief Accounting Officer	Tsai, Chia-Ming	(29,500)	—	—	—

Note1: The Corporate Director, Toyota Financial Services Co., Ltd., reappointed its representative to Abe (Hori was dismissed) on April 1, 2023, and changed to Tetsuo Higuchi (Abe was dismissed) on January 1, 2024.

Note2: Independent Director Min-Jie Chang was elected on May 31, 2023.

Note3: Assistant Vice President, Kai-Rung Yang, took office in February 2023; Assistant Vice President Po-Sung Wu took office in June 2023; Assistant Vice President, Chia-Feng Li, took office in January 2024; Assistant Vice President, Dao-Ming Chang, took office in February 2024.

Note4: "*" in the table represents preferred shares.

III. Corporate Governance

- 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 March 31, 2024

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: Chwen-Shing Su	257,161,874	45.39%	—	—	—	—	Hoyu Investment Co., Ltd.	Other related parties	—
Toyota Financial Services Corporation Representative: Hiroyoshi Korosue	130,074,859	22.96%	—	—	—	—	—	—	—
Hoyu Investment Co., Ltd. Representative: Li-Hua Lin	6,068,700	1.07%	—	—	—	—	Hozan Investment Co, Ltd.	Other related parties	—
Chunghwa Post Co., Ltd. Representative: Hong-Mo Wu	2,696,100	0.48%	—	—	—	—	—	—	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,499,200	0.44%	—	—	—	—	—	—	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,462,800	0.43%	—	—	—	—	—	—	—
ISHARES Core MSCI Emerging Markets ETF Investment Account under the custody of Standard Chartered Bank (Department of Business)	2,414,200	0.43%	—	—	—	—	—	—	—
Mercuries Life Insurance Co., Ltd. Representative: Chau-Shi Wong	2,400,000	0.42%	—	—	—	—	—	—	—
Lifong Global Co., Ltd. Representative: Li-Chun Chen	2,200,000	0.39%	—	—	—	—	—	—	—
UBS Europe SE Investment Account under the custody of Citibank Taiwan	2,170,267	0.38%	—	—	—	—	—	—	—

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, 2023
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.	243,000	81.00%	—	—	243,000	81.00%
HEJUN Energy Co., Ltd.	80,000	80.00%	—	—	80,000	80.00%
Hoing Mobility Service Co., Ltd.	33,402	50.82%	—	—	33,402	50.82%
Hotai Mobility Service Co., Ltd.	12,000	27.40%	—	—	12,000	27.40%
LY HOUR LEASING PLC	5,600	35.00%	—	—	5,600	35.00%

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 March 31, 2024
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	-	<i>Note 20</i>
October 2022	100	1,000,000	10,000,000	565,000	5,650,004	Issue preferred stock A	—	<i>Note 21</i>
August 2023	10	1,000,000	10,000,000	616,500	6,165,004	Earnings	-	<i>Note 22</i>
September 2023	100	1,000,000	10,000,000	666,500	6,665,004	Issue preferred stock A	—	<i>Note 23</i>

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

Note 22: Approved by letter Jing Shou Shang Zi No. 11230146540 dated August 7, 2023

Note 23: Approved by letter Jing Shou Shang Zi No. 11230173010 dated September 11, 2023

IV. Capital Overview

(2) Type of stock

As of March 31, 2024; Unit: shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Unissued Shares	Total Shares	
Common Stock	566,500,448	333,499,552	1,000,000,000	Shares listed on TWSE
Preferred stock	100,000,000			

(3) Shelf Registration: N/A

4.1.2 Shareholders Structure

(1) Common Stocks

As of March 31, 2024; Units: persons, shares, %

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	28	251	28,258	124	28,662
Share Ownership	102,700	8,274,799	287,417,246	117,558,471	153,147,232	566,500,448
Percentage	0.02%	1.46%	50.74%	20.75%	27.03%	100%

(2) Preferred Stocks A

As of March 31, 2024; Units: persons, shares, %

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	7	39	5,059	11	5,116
Share Ownership	0	21,040,388	22,488,154	6,441,504	29,954	50,000,000
Percentage	0%	42.08%	44.98%	12.88%	0.06%	100%

(3) Preferred Stocks B

As of March 31, 2024; Units: persons, shares, %

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	10	55	8,353	13	8,431
Share Ownership	0	20,902,423	21,132,637	7,680,160	284,780	50,000,000
Percentage	0%	41.80%	42.27%	15.36%	0.57%	100%

IV. Capital Overview

4.1.3 Distribution of Share Ownership

(1) Common stocks

As of March 31, 2024; Units: persons, shares, %

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership (Unit: Shares)	Percentage
1 - 999	7,278	1,504,835	0.26%
1,000 - 5,000	16,702	30,074,936	5.31%
5,001 - 10,000	2,278	16,395,354	2.89%
10,001 - 15,000	911	11,018,048	1.94%
15,001 - 20,000	412	7,350,790	1.30%
20,001 - 30,000	400	9,849,523	1.74%
30,001 - 40,000	183	6,437,957	1.14%
40,001 - 50,000	131	5,946,399	1.05%
50,001 - 100,000	207	14,367,689	2.54%
100,001 - 200,000	64	8,369,860	1.48%
200,001 - 400,000	45	12,447,483	2.20%
400,001 - 600,000	13	6,253,213	1.10%
600,001 - 800,000	14	9,497,500	1.68%
800,001 - 1,000,000	6	5,430,661	0.96%
1,000,001 or above	18	421,556,200	74.41%
Total	28,662	566,500,448	100%

(2) Preferred Stocks A

As of March 31, 2024; Units: persons, shares, %

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership (Unit: Shares)	Percentage
1 - 999	2,379	376,537	0.75%
1,000 - 5,000	2,536	3,273,932	6.55%
5,001 - 10,000	105	802,497	1.60%
10,001 - 15,000	31	399,606	0.80%
15,001 - 20,000	9	161,463	0.32%
20,001 - 30,000	8	191,048	0.38%
30,001 - 40,000	9	321,699	0.65%
40,001 - 50,000	3	140,601	0.28%
50,001 - 100,000	12	856,404	1.71%
100,001 - 200,000	7	971,000	1.94%
200,001 - 400,000	4	1,121,000	2.24%
400,001 - 600,000	7	3,462,000	6.93%
600,001 - 800,000	0	0	0%
800,001 - 1,000,000	0	0	0%
1,000,001 or above	6	37,922,213	75.85%
Total	5,116	50,000,000	100%

IV. Capital Overview

(3) Preferred Stocks B

As of March 31, 2024; Units: persons, shares, %

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership (Unit: Shares)	Percentage
1 - 999	5,106	681,422	1.36%
1,000 - 5,000	3,179	3,776,425	7.55%
5,001 - 10,000	47	354,716	0.71%
10,001 - 15,000	18	219,169	0.44%
15,001 - 20,000	12	203,008	0.41%
20,001 - 30,000	13	338,000	0.68%
30,001 - 40,000	1	30,461	0.06%
40,001 - 50,000	6	283,885	0.57%
50,001 - 100,000	20	1,547,491	3.09%
100,001 - 200,000	8	1,242,000	2.48%
200,001 - 400,000	4	1,220,000	2.44%
400,001 - 600,000	5	2,465,000	4.93%
600,001 - 800,000	0	0	0%
800,001 - 1,000,000	4	4,000,000	8.00%
1,000,001 or above	8	33,638,423	67.28%
Total	8,431	50,000,000	100%

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 March 31, 2024; Unit: shares

Shareholders	Share Ownership	Percentage
Hozan Investment Co, Ltd.	257,161,874	45.39%
Toyota Financial Services Corporation	130,074,859	22.96%
Hoyu Investment Co., Ltd.	6,068,700	1.07%
Chunghwa Post Co., Ltd.	2,696,100	0.48%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,499,200	0.44%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,462,800	0.43%
ISHARES Core MSCI Emerging Markets ETF Investment Account under the custody of Standard Chartered Bank (Department of Business)	2,414,200	0.43%
Mercuries Life Insurance Co., Ltd.	2,400,000	0.42%
Lifong Global Co., Ltd.	2,200,000	0.39%
UBS Europe SE Investment Account under the custody of Citibank Taiwan	2,170,267	0.38%

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		2022	2023	As of March 31, 2024 (Note 8)	
Market Price per Share (Note 1)	Highest Market Price	129.50	159.00	128.00	
	Lowest Market Price	88.90	99.30	113.00	
	Average Market Price	104.68	127.67	120.72	
Net Worth per Share (Note 2)	Before Distribution	52.18	54.16	—	
	After Distribution	48.89	(Note 4) 51.18	—	
Earnings per Share (Note 3)	Weighted Average Shares	Before adjusting	515,000	566,500	—
		After adjusting	566,500	(Note 4) 623,150	—
	Earnings per Share	Before adjusting	7.04	6.41	—
		After adjusting	6.40	(Note 4) 5.83	—
Dividends per Share	Cash Dividends		3.5 per share	3.0 per share	—
	Stock Dividends	From Retained Earnings	1.0 per share	1.0 per share	—
		From Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earnings Ratio (Note 5)		14.87	19.92	—
	Price/Dividend Ratio (Note 6)		29.91	42.56	—
	Cash Dividend Yield (Note 7)		3.34%	2.35%	—

Note 1: The highest and lowest market prices of common shares in each year are listed, and the average market price in each year is calculated based on the transaction value and trading volume in 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: Earnings per share before and after adjustments are retrospectively adjusted due to free-gratis dividends are listed herein.

Note 4: The shareholders' meeting has not yet been held to approve the earnings distribution proposal for 2023.

Note 5: Price to earnings ratio = Average market closing price per share for the year/ Earnings per share

Note 6: Price to dividend ratio = Average market closing price per share for the year/ Dividends per share

Note 7: Cash dividend yield = Dividends per share/ Average market closing price per share for the year

Note 8: Book value per share and earnings per share based on the audited (reviewed) data for the most recent quarter as of the print date of the annual report; other columns based on the data for the year up to the print date of the annual report.

4.1.6 The Company's dividend policy and implementation

(1) Dividend policy stipulated in the Articles of Incorporation:

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

IV. Capital Overview

accordance with the relevant laws and regulations, the remaining earnings together with the 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) Dividend distribution (already discussed) this year:

The Company's 2023 profit distribution proposal was approved by the Board of Directors on March 12, 2024. The dividends of preferred share A are NTD 210,000,000, the dividends of preferred share B are NTD 77,054,795, and the cash dividends of common shares are NTD 3.0 per share, totaling NTD 1,699,501,344. Dividends on common shares amounted to NTD 1.0 per share, totaling NTD 566,500,450.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

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

4.1.8 Remuneration to employees and directors:

(1) Percentage or range of employee and director remuneration stated in the Company's Articles of Incorporation:

If the Company makes a profit each year, it shall allocate 1% as remuneration to employees. However, if the Company still has accumulated losses, it shall reserve an amount to offset the accumulated losses first. Remuneration to employees shall be made in the form of shares or in cash, and such remuneration shall be approved by a majority vote of the directors in attendance at a meeting of the Board of Directors with at least two-thirds of the total number of directors present.

(2) The basis for estimating the amount of remuneration to employees and directors, the basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

The Company estimates the remuneration of employees and directors as expenses within the scope of the Articles of Incorporation and the expected amount to be distributed. If there is any

IV. Capital Overview

difference between the actual distributed amount and the estimated amount, it will be treated as a change in accounting estimate and recognized as profit and loss of the following year.

(3) Information on any approval by the board of directors of distribution of profit-sharing compensation:

(a) Employees' remuneration and directors' remuneration distributed in cash or shares. If there is any discrepancy between the amount and the estimated amount of the expense recognized, the discrepancy, cause and treatment shall be disclosed:

The employee remuneration plan has been approved by the Board of Directors. The amount of employee remuneration in 2023 is NTD 48,460 thousand. The above remuneration is fully paid in cash, and there is no difference recognized in expenses. The Company's Articles of Incorporation do not provide for directors' remuneration, and thus no remuneration is distributed.

(b) The ratio of the amount of employee remuneration distributed in stock to the sum of net income after tax and total employee remuneration: Not applicable.

(4) Report on remuneration distribution and results in the shareholders' meeting:

The Company reported the remuneration to employees for 2022 through the 2023/5/31 shareholders' meeting, and there was no difference from the distributed amount resolved by the board of directors.

(5) The actual distribution of employees' and directors' remuneration in the previous year (including the number of shares distributed, the amount and the price of the shares), and any discrepancy between the actual distribution of remuneration and the recognized employees' and directors' remuneration, the amount, causes and treatment of such discrepancy:

The Company's board of directors resolved to distribute 2022 employee remuneration as follows. In addition, the Company's Articles of Incorporation does not stipulate remuneration to directors and supervisors, so it is not estimated.

Unit: NT\$ thousands

	Estimates for 2022	Resolution of the Board of Directors	Discrepancy
Remuneration to employees	46,480	46,480	—

4.1.9 Shares repurchased by the Company: None.

IV. Capital Overview

4.2 Corporate Bonds

Type of Bonds	2020 1 st unsecured corporate bond	2021 1 st unsecured corporate bond	2021 2 nd 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 st secured corporate bond	2022 2 nd secured corporate bond	2023 1 st 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

1. Preferred Share A

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"> 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. 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. 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. Preferred stockholders shall not participate in the distribution of earnings and capital surplus by cash and by capitalization as equity. <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
	2023	Highest	98.20
		Lowest	93.30
		Average	96.21
	The Current Year up to March 31, 2024	Highest	98.30
		Lowest	95.60
		Average	97.04
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	

IV. Capital Overview

2. Preferred Share B

Item	Issue Date	
	September 1, 2023 (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 4.5% per annum (5-year IRS rate of 1.14325% + 3.0675%, 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"> 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. Dividends on the preferred stocks are calculated at an annual rate of 4.5% based on the five-year IRS rate of 1.4325% +, a fixed mark-up rate of 3.0675% on the issue price per share as of July 28, 2023. 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. 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. Preferred stockholders shall not participate in the distribution of earnings and capital surplus by cash and by capitalization as equity. <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	2023	Highest	95.10
		Lowest	91.60
		Average	93.43
	The Current Year up to March 31, 2024	Highest	95.30
		Lowest	93.70
		Average	94.51
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

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
- Electric Power Supply
- Any other business that is not prohibited or restricted by the law

V. Operational Highlights

(2) Revenues by product category

Unit: NT\$ thousands

Year	2022		2023	
	Amount	%	Amount	%
Sales Income	891,141	3.91	1,463,411	5.11
Interest Income	13,561,273	59.51	17,513,683	61.11
Finance Lease Income	2,722,938	11.95	3,291,243	11.48
Operating Lease Income	4,297,082	18.86	4,833,219	16.86
Service Income	1,295,591	5.69	1,339,781	4.68
Other Income	19,225	0.08	219,098	0.76
Total	22,787,250	100.00	28,660,435	100.00

Source: 2022 and 2023 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
Hemei International Trade (Suzhou) Co., Ltd	Goods trading business
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
Hejun Electricity Co., Ltd.	Electricity retailing business
Tung Ching Energy Co., Ltd.	Solar energy business
Tung Ching Green Energy Co., Ltd.	Solar energy business
Billion Sunpower Co., Ltd.	Solar energy business
Cheng Yo Technology Co., Ltd.	Solar energy business
Hon Yang Energy Co., Ltd.	Solar energy business

2. Industry Overview

(1) Current status and development of the industry:

The automotive installment industry is a part of the peripheral financial industry, and the main function of the financial peripheral industry is to supplement the insufficiency of the capital market and the financing function of the banking system. The capital market and the banking system are mainly based on the investment and savings of the general public. In order to achieve financial and economic stability, the risk of financing is subject to certain restrictions. However, some car owners are unable to obtain bank financing successfully due to factors such as occupation and credit rating. Under the circumstance that the existing supply cannot satisfy these car owners, the financial peripheral companies operate with their own funds, which are less regulated by laws and regulations and have a higher risk tolerance. Hence, it can provide car owners a more flexible financing to supplement the insufficiency of the capital market and banking system function.

The following summarizes the new vehicle sales and installment sales in Taiwan from 2018 to 2023 (in ten thousand units):

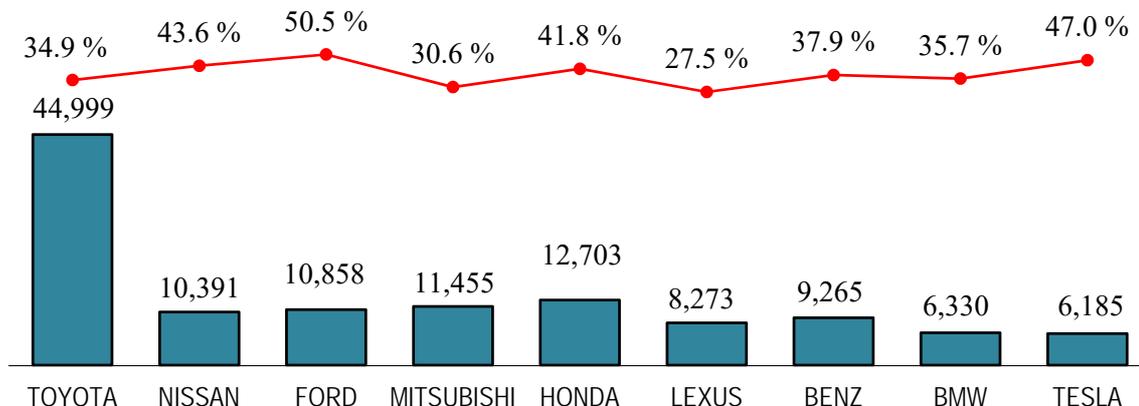
Year	2018	2019	2020	2021	2022	2023
New Vehicle Sales	43.5	44.0	45.7	45.0	43.0	47.7
Installment Sales	18.2	17.9	19.2	18.6	17.8	18.2
Installment to New Vehicle Sales Ratio	42%	41%	42%	42%	41%	38%

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 5, 2024.

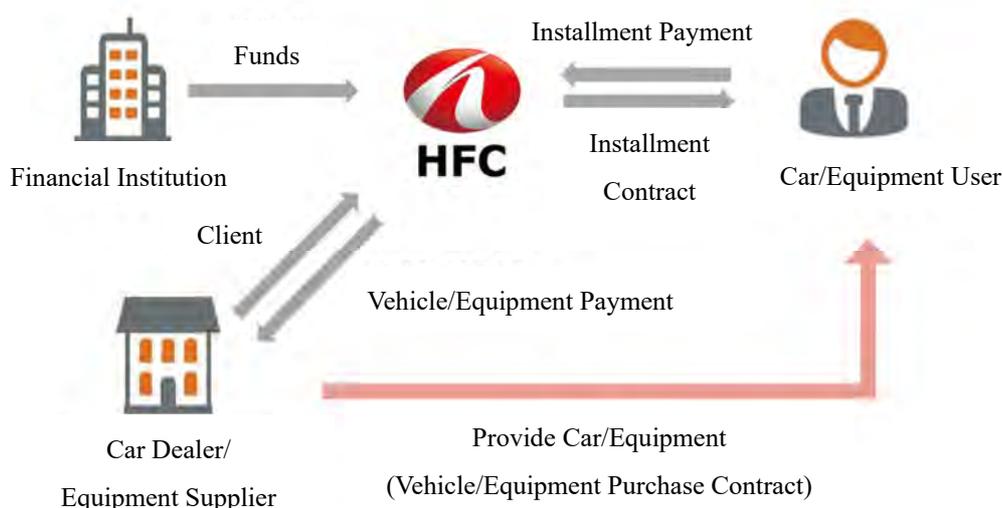
V. Operational Highlights

The following graph shows the installment sales and installment to new vehicle sales ratio of major automakers in 2023:



Note: Last updated on February 5, 2024

(2) Relationship with upstream, midstream and downstream companies



(3) Product development 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 situation

According to the data provided by the The Taipei Leasing Association, R.O.C., the main leasing peers can be divided into four major systems:

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 5, 2024.

V. Operational Highlights

3. Technology and R&D overview

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. Long-term and short-term business development plan

(1) Short-term Business Development Plan

A. Core business strengthening: The Company will continue to improve its vehicle installment products and increase the intensity of its channel operations to stabilize and expand its business growth.

B. Diversification of products: Continue to invest in consumer installment and equipment supplier channels to expand the opportunities of instalment; expand motorcycle and product instalment business to accelerate the Company's growth

C. Resources invested by the re-investment company:

Continue to assist subsidiaries in IT and talent recruitment, improve operating efficiency, and expand business development.

(2) Mid- and long-term business development plans

Continue to invest manpower to research new products, new operating models, new channels, and evaluation of new overseas bases for the Company's long-term development.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1) Sales (supply) territories of major products (services):

Unit: NT\$ thousands

Year	2022		2023	
Region	Amount	%	Amount	%
Taiwan	19,132,408	83.96	24,362,237	85.00
China	3,654,842	16.04	4,298,198	15.00
Total	22,787,250	100.00	28,660,435	100.00

(2) Market Share

The automotive financing products underwritten by the Company in 2023 are approximately NTD 113.2 billion, an increase of 8% compared to the previous year, and the Company has stably maintained its position as the market leader among the automotive installment service

V. Operational Highlights

providers. Based on the overall installment number of cars in Taiwan at 182,834 units in 2023, the Group has contracted 50,799 contracts in 2023, with a market share of 27.9%, and has a significant market position.

Unit: cars, cases, %

Vehicle Installment Market Share					
Year	2019	2020	2021	2022	2023
Registered Vehicles	439,834	457,435	449,859	429,731	476,987
Vehicles with Financing	179,462	191,797	186,975	177,632	182,334
Vehicles with Financing to Registered Vehicles	40.8%	41.9%	41.6%	41.3%	38.2%
Undertaken by HFC	46,091	52,203	57,991	48,760	50,799
HFC Market Share	25.7%	27.2%	31.0%	27.5%	27.9%

Sources: Ministry of Transportation and Communications and internal data compiled by the Hotai Group; last updated on February 5, 2024

(3) Future market supply, demand and growth:

A. Overview of the Domestic Vehicle Market:

Looking forward to 2024, the automotive market has gradually returned to a normal state without the interruption of the pandemic, and the production capacity of new cars has also increased steadily. However, as there will be no more deferred orders pouring into the market as in 2023, the sales volume this year is expected to cool down slightly. For our production lines, we will continue to introduce new products. The Company 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. HE JING 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

At the beginning of 2023, the COVID-19 pandemic is drawing to a close, and the economy and society have fully resumed normal operation. The annual average PMI of the manufacturing industry is 49.9%, 0.8 percentage points higher than the annual average of 2022. China continues to maintain the "stable growth" policy focusing on the real economy. Although the export manufacturing industry is facing the challenges brought about by the volatility and uncertainty of the global market, the growth of the "three new products"

V. Operational Highlights

(electric vehicles, lithium batteries and solar energy), the technological innovation and upgrading of high-tech industries, and the promotion of domestic demand based on mass consumption, the growth of the manufacturing industry has become the driving force of China's economic growth, which at the same time brings about business opportunities in the leasing industry. The overall financial leasing penetration rate in China is close to 10%. Compared with developed countries such as Europe and the United States (>20%), the financial leasing industry has very good room for development and opportunities.

D. Overview of the Commercial Factoring Market in Mainland China

The central and local governments continue to promulgate and implement various policies to promote the development of micro, small and medium-sized enterprises, optimize the financing environment for micro, small and medium enterprises, and promote the development of the commercial factoring industry. In recent years, China has continued to focus on various key areas (such as: industrial, traditional manufacturing, medical, etc.) to promote digitization and intelligentization, lead the upgrade of various industries, and also lead to incremental financial services. Factoring business can support production with flexible funds to meet industry needs. At present, there are frequent policies to stimulate the economy in Mainland China, and the demand for financing is expected to grow. The Company prioritizes customers who are well-known listed companies, processing and manufacturing enterprises for both buying and selling parties. Factoring business is expected to maintain excellent product quality under the sustaining growth dynamic.

E. Overview of the Green Energy Industry

In response to net zero carbon emissions, the green energy policy continues to release many benefits. In addition to renewable energy-related laws keeping pace with the times, 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. In the future, HE JUN ENERGY will continue to expand the scale of power plants through self-construction and mergers and acquisitions; it will also participate in the Taipower electricity trading platform to provide frequency regulation backup service and step into the renewable energy electricity sales business to increase the revenue from electricity sales. In addition, a new charging station brand, EV Run, has been established, and the charging network has been deployed throughout Taiwan, integrating the Group's resources, and creating a full range of green energy services by combining the net zero carbon emission trend with business opportunities.

F. Overview of the Car Rental Market

Looking back to 2023, the slowdown of the pandemic and the re-emerging travel wave also drove the demand for the car rental market. The number of members of the shared car and scooter service increased year-on-year, and the self-driving car rental market is expected to grow steadily in the future. With the full liberalization of cross-border mobile transportation, the demand for domestic and foreign tourism and business activities recovers. The private car transfer market is expected to continue the steady growth of transaction scale in 2023. Looking to the future, iRent will continue to utilize AI and big data to analyze customer needs, optimize and solve user problems, and build a smart mobile ecosystem through cross-service integration platform construction and expansion of rental and franchise scale to provide consumers with comprehensive mobile services.

(4) Competitive Advantages

A. Exhaustive Channel Understanding

The Group's agent Toyota/Lexus has over 30% of the domestic market share, and with the

V. Operational Highlights

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

We have been rated "Long-term twAA-" and "Short-term twA-1+" by Taiwan Ratings for 17 consecutive years from 2007 to 2023, 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 four consecutive years from 2020 to 2023, 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"> · The world has gradually recovered from the impact of the pandemic, while the new vehicle supply will become more stable than before · The used cars of the Group's brands have stable prices, which is conducive to the establishment of related installment programs · Solid footprint in the automotive, equipment leasing, and commercial factoring markets in Mainland China with continuing growth
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"> · The Group's brands (TOYOTA, LEXUS, HINO) · The brands of other industry players (Volvo, Suzuki, Tesla, etc.) · Used cars (HOT used car, TOYOTA/, LEXUS CPO) · Motorcycles (Kymco, YAMAHA, etc.) · Merchandise (online channels) · Equipment suppliers

V. Operational Highlights

Services	<p>We create more value for our customers and partners by providing the following quality services:</p> <ul style="list-style-type: none"> · One-on-one personal services for key channels and car dealers · Professional planning team to develop flexible and diversified installment programs · Fast case review capability · Superior car dealer cooperation system · Continuous optimization of a case submission APP and operating systems to provide efficient and quality services
Resources	<ul style="list-style-type: none"> · Large retained customers · Industry knowledge accumulated over the years · Related resources of the Hotai Group

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"> ·Continue to increase competitiveness with product diversification and innovation ·Stabilize existing channels and strengthen understanding ·Enhance business management, develop group brand and non-group brand channels, and increase installment and leasing latitude ·Strengthen the Group's used car channels and increase our control capabilities
The rise of the sharing economy may affect young buyers' willingness to purchase cars	<ul style="list-style-type: none"> ·Customize installment programs for different customer segments to strengthen installment business and increase car purchase intention
Inflation causes global interest rate hikes	<ul style="list-style-type: none"> ·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 ·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
The Company's business is concentrated in the areas of car instalment and leasing in Taiwan	<ul style="list-style-type: none"> ·Enhance business efficiency and effectiveness ·Develop high value-added equipment leasing business such as medical equipment, machine tools, and construction equipment ·Explore the commercial factoring and equipment leasing market in China

5.2.2 Usage and manufacturing processes for the company's main products:

The Company's main product is the automotive installment payment service. It provides the installment payment plan that the public needs to purchase new and used cars. It not only provides consumers with flexible payment methods, but also promotes the Group's sales model of new cars, and helps corporate customers in getting all equipment, semi-finished products, or raw materials that they required which can be paid in installments to the Company and the Company will make a one-time payment on behalf of the customer to the supplier, and the customers then make regular

V. Operational Highlights

repayments according to the customer's repayment plan and ability. As for the leasing business, the Company and its subsidiaries provide financing services for various equipment, semi-finished products or raw materials required by the enterprises, mainly by leasing. For example, the Company and its subsidiaries pay the equipment vendor on behalf of the customers to purchase the equipment, and the customer only needs to pay the rent on time in each installment, there is no need to bear the full price at one time. In summary, the Company is a financial service business and therefore does not have an ownership process.

5.2.3 Supply of major raw materials:

The Group's main business is automotive installment payment, and its business comes from HOTAI MOTOR CO., LTD. (TOYOTA, LEXUS), regional dealers of other brands, and used car dealers of various brands throughout Taiwan. The second is equipment installment and rental, so there is no major raw material.

5.2.4 List of customers that have accounted for more than 10% of total purchases (sales) in any of the last two years, their purchases (sales) amount and proportion, and explain the reasons for the changes:

(1) List of Suppliers

The Company and its subsidiaries are mainly engaged in the installment business and rental business. The installment payment business is mainly for interest income, and has no gross profit. Therefore, sales revenue and cost are expressed on a net basis, and the cost of goods sold is not applicable because the leased assets are stopped for renting and are made available for sale.

(2) List of sales customers:

The Company and its subsidiaries have a broad customer base and there are no customers who account for 10% of sales, so 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.

V. Operational Highlights

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

Year		2022	2023	As of March 31, 2024
Number of Employees	Sales Personnel	1,597	1,768	1,776
	Clerk	1,145	1,126	1,240
	Total	2,742	2,894	3,016
Average Age		36.0	36.1	36.3
Average Length of Service		4.1	4.2	4.3
Highest Level of Education (%)	Ph.D.	0.0%	0.0%	0.0%
	Master's Degree	7.1%	6.4%	7.4%
	Bachelor's Degree	74.4%	75.8%	75.7%
	Senior High School Diploma	17.3%	16.6%	15.7%
	Below Senior High School	1.2%	1.2%	1.2%
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 the first day of service, the employees of the Company are entitled to labor and health insurance, pension contributions, and various protections better than the Labor Standards Act. The Company's employee remuneration and benefits, continuing education and training, and retirement system and the status of implementation, as well as the agreements between labor and management, and the status of various measures to protect the rights and interests of employees are also listed below.

(1) Remuneration system:

- Competitive annual salary
- Better-than-market year-end bonuses
- Evaluation bonus
- Annual salary adjustment
- Incentives (subject to reward regulations for each position)

V. Operational Highlights

(2) Welfare system:

The Company has established the Employee Welfare Committee of HOTAI FINANCE CO., LTD. in 2008, dedicated to the improvement of welfare measures:

- Group insurance, accident insurance
- Gift money and gifts for the three major festivals
- Birthday cash gift
- Subsidies and scholarships for children's educations
- Special store discounts
- Foreign language study subsidy
- Foreign Language Test Award
- Car discount for employees
- Regular health checkup, illness medical assistance
- Wedding and bereavement, childbirth, and hospitalization subsidies and consolation payments for employees and dependents
- Travel subsidies, competitive travel
- Abundant club activities
- Year-end event, Spring cocktail party

(3) Continuing education and training:

In the face of fierce competition in the market, it is necessary to continuously train employees through diversified education, hoping to provide employees with a complete education and training system through motivation, participation, application, and competency education, and improve employees' work efficiency, competitiveness, and sense of accomplishment. Therefore, we have established an education and training policy to enhance corporate competition No. 1 in the market for stable growth. HOTAI FINANCE CO., LTD. attaches great importance to employee development. Hotai's functional training, OJT model, and online education and training are the three main pillars of its education unit.

HFC functional training: The Company proposes functional training plans for all levels, and the training subjects include all employees and supervisors throughout the Company.

The physical courses are organized for different levels as manager consensus camp, sales executive incubation class, enterprise core skill development class, high-potential talent development class, business consensus camp, and newcomer consensus camp. 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, Financial Management Academy, Marketing Planning Academy, and Business Sales Academy to make the online courses more diversified and complete.

With the business philosophy of "customer first and profession oriented", the Company has

V. Operational Highlights

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. In addition to the sharing of professional books, theme lectures and introduction of industry trends, the consensus camp for executives held every year also includes the sharing of experience of senior executives, the company's future blueprint and annual key development directions, so as to gather the executives' loyalty to the company.

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

V. Operational Highlights

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

The Company has a defined retirement policy in accordance with the "Labor Pension Act". The local employees who arrived before 2005/7/1 (exclusive) are entitled to their pensions under the old pension system and have also opted for the new pension system. 2005/7/1 (inclusive): New system applies to employees hired after 2005/7/1 (inclusive), and new or old system applies to foreign employees.

A. New pension plan

The Company contributes 6% of the total salary to the employee's individual account at the Labor Insurance Bureau each month. The employee's pension is paid monthly or in a lump sum based on the amount of the employee's personal pension account and accumulated earnings received.

B. Old system pension

The Company contributes 2% of the total salary to the employees' pension fund every month, which is deposited by the Labor Pension Fund Monitoring Committee in the special account of the Bank of Taiwan in the name of the committee

(5) Status of agreements between labor and management and the protection of employees' rights and interests:

The Company values harmonious labor-management relations and has formulated a transparent and fair system to protect the rights and interests of employees. Since inception, the Company has been active in establishing open and two-way communication channels. So far, there have been no major labor disputes or losses

5.5.2 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

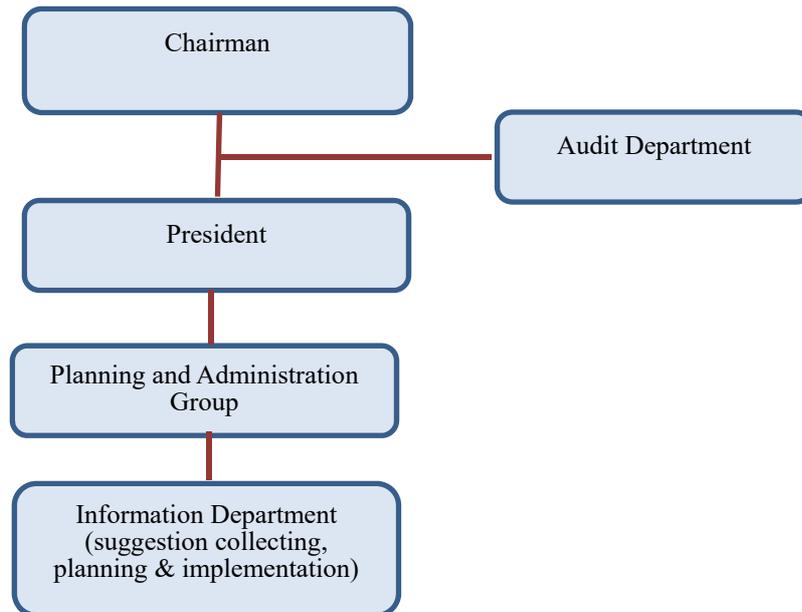
V. Operational Highlights

5.6 Cyber Security Management

5.6.1 The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

(1) Cyber security risk management framework and cyber security policy:

Cyber security risk management framework:



Cyber security policy:

To ensure the confidentiality of the information (only authorized personnel may have access to the information), completeness (guaranteeing the accuracy and completeness of the information and the methods by which it is processed), and availability (assuring that authorized users have access to the information and use of related information assets), protect the Company's information assets from improper use, leakage, tampering, and damage, and ensure the safety of information collection, processing, transmission, storage, and circulation, the Company has established the “Computerized Information System Control Procedures” applicable to all employees in the head office and branch offices. The implementation and amendments are subject to the approval of the President.

In December 2022, the Company received ISO27001 certification after implementing the Information Security Management System (ISMS), which was audited and verified by SGS, and in November 2023 passed the verification for the second year. 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

V. Operational Highlights

the stability and security of data, systems, equipment, and networks for the purpose of sustainable business operations.

(2) Specific management plans and resources invested in cyber security management:

① Raise awareness of information security

Through regular courses and periodic tests, the Company raises employees' awareness of information security. In the planning of regular courses, each employee is required to complete an information security course every year, covering legal liabilities for legal software use and pirated software, basic concepts of information security, common information security vulnerabilities, company information security protection measures, and introduction to common computer viruses etc.; Number of people who completed the 2023 IT security course: 1,095 persons.

② Regularly review the vulnerability in information security

In order to enhance the information security strength, HFC also commissioned an impartial and objective third-party information security consultant to perform vulnerability scans to help check the security of network systems and system hosts, and assess the vulnerability and information security risk level. The information unit made corrections for relevant vulnerabilities based on the initial scan report, and repeat scans were performed to ensure that all material vulnerabilities were fully rectified.

③ Internal Information Security Audit

In order to ensure that information security operations are performing properly, HFC conducts monthly and annual internal audits, which are initiated by the Information Department and conducted by the entire company. Every month, the Information Department schedules a work rotation table to check the system's important mechanisms and requirements after they are launched. The former ensures that the important mechanisms are working properly. The latter ensures that the system development functions align with requirement planning after the new requirements are launched. Information security audits are conducted annually, and different audit topics are planned based on the current year's situation. First of all, employees conduct self-inspection based on the "Personal Computer Information Security Checklist". The Information Department assigns dedicated personnel to randomly check 10-20% of personal computers at each point. After the audit, statistics of the deficiency proportions of each department are tallied, and the annual information security audit report and Related improvement measures are prepared.

④ Establishment of a dedicated information security officer

According to the Cyber Security Management and Control Guidelines for TWSE/GTSM Listed Companies, from September 2023, the manager of the IT Department of the Company, Ling-Yun Chen, serves as the information security supervisor, and one person is appointed as the information security personnel.

V. Operational Highlights

⑤ Enhancement of information security operations by third parties

Annually, HFC will review the procedures of the information unit in the Company's standard operating procedures to confirm that they are in line with the ISO standard operating procedures and that they are in line with the current situation. In addition, during 2022, professional CPAs were appointed to interview the head of the information department to understand the organizational structure and clarification of the information unit's responsibilities and conduct the following audits. No material information security deficiencies affecting financial reporting were identified as a result of external audits in 2022.

⑥ The implementation of information security measures is as follows:

Method	Subject Matters	Frequency	Description
Internal	Internal control self-assessment and review	Every year	Whether each unit has implemented self-examination and internal control
Internal	Internal audit	Every year	The Audit Department conducts audits jointly with other units
Internal	Information Security Audit	Every year	IT unit was activated, and the whole company cooperated and audited
Internal	Information security education	Every year	Enhance information security awareness through online courses
Internal	Phishing email test	Non-scheduled	Raise employees' awareness towards unfamiliar emails
External	Website vulnerability scanning	Every year	The IT department commissioned a third-party professional IT vendor to scan the official website for vulnerabilities
External	APP program source code inspection	Every year	The IT unit commissioned a third-party professional IT vendor to test the APP program source code
External	ISO27001 Audit	Every year	Annual audit of the Company's information security policy and implementation effectiveness are conducted by a third-party certification company.
External	Internal audit and internal control review	Every year	External professional audit

5.6.2 Losses due to major IT security incidents in the most recent year and up to the date of publication of the annual report, their possible impacts, and responsive measures:
None

V. Operational Highlights

5.7 Material Agreements

Type of Agreement	Counterparty	Term	Summary	Restrictive Clauses
Trust Indenture	CTCB Bank	2020/4/22 ~ 2025/4/22	HFC engages CTCB Bank to be the trustee for the 2020 1 st unsecured corporate bond.	None
Trust Indenture	Bank SinoPac	2021/4/15 ~ 2026/4/15	HFC engages Bank SinoPac to be the trustee for the 2021 1 st unsecured corporate bond.	None
Trust Indenture	Taishin International Bank	2021/7/22 ~ 2026/7/22	HFC engages Taishin International Bank to be the trustee for the 2021 2 nd unsecured corporate bond.	None
Trust Indenture	Bank SinoPac	2022/1/13 ~ 2025/1/13	HFC engages Bank SinoPac to be the trustee for the 2022 1 st secured corporate bond. (Guarantor: Sumitomo Mitsui Banking Corporation)	None
Trust Indenture	Bank SinoPac	2022/6/6 ~ 2025/6/6	HFC engages Bank SinoPac to be the trustee for the 2022 2 nd secured corporate bond. (Guarantor: Hua Nan Bank, Bank of Taiwan)	None
Trust Indenture	Bank SinoPac	2023/3/28 ~ 2028/3/28	HFC engages Bank SinoPac to be the trustee for the 2023 1 st unsecured corporate bond.	None
Trust Indenture	Bank SinoPac	2023/10/27 ~ 2025/10/27	HFC engages Bank SinoPac to be the trustee for the 2023 2 nd secured corporate bond. (Guarantor: Mizuho Bank, Ltd.)	None
Lease	Hotai Motor Co., Ltd.	2021/1/1 ~ 2023/12/31	Office lease on the 4F., No. 10, Mingzhong St., Xinzhuang Dist., New Taipei City	None
Lease	Ho-Yu Investment Co., Ltd.	2018/6/20 ~ 2028/6/19	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	2012/8/31 ~ 2013/12/31 (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

V. Operational Highlights

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 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.

VI. Finance Overview

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)				
		2019	2020	2021	2022	2023
Current Assets		128,747,105	149,837,686	188,826,138	236,804,466	284,254,876
Property, Plant and Equipment		4,212,013	4,658,912	5,976,675	6,886,804	9,090,069
Intangible Assets		—	—	—	—	443,288
Other Assets		3,421,797	4,501,955	6,756,383	11,673,818	18,351,479
Total Assets		136,380,915	158,998,553	201,559,196	255,365,088	312,139,712
Current Liabilities	Before Distribution	113,233,585	134,771,199	175,220,568	221,376,661	270,124,770
	After Distribution	114,830,087	136,573,700	177,383,570	223,237,847	272,111,326 <i>Note 2</i>
Non-Current Liabilities		753,064	564,504	844,949	1,095,413	2,020,104
Total Liabilities	Before Distribution	113,986,649	135,335,703	176,065,517	222,472,074	272,144,874
	After Distribution	115,583,151	137,138,204	178,228,519	224,333,260	274,131,430 <i>Note 2</i>
Equity Attributable to Owners of the Parent		20,470,639	21,494,379	22,755,264	29,481,299	36,097,609
Share Capital		5,150,004	5,150,004	5,150,004	5,650,004	6,665,004
Capital Surplus		8,002,731	7,996,585	8,000,217	12,510,367	17,011,275
Retained Earnings	Before Distribution	7,434,223	8,423,272	9,762,214	11,222,599	12,536,225
	After Distribution	5,837,721	6,620,771	7,599,212	9,361,413	10,549,669 <i>Note 2</i>
Other Equity Interest		(116,319)	(75,482)	(157,171)	98,329	(114,895)
Treasury Stock		—	—	—	—	—
Prior interests under joint control		300,003	—	—	—	—
Non-Controlling Interest		1,623,624	2,168,471	2,738,415	3,411,715	3,897,229
Total Equity	Before Distribution	22,394,266	23,662,850	25,493,679	32,893,014	39,994,838
	After Distribution	20,797,764	21,860,349	23,330,677	31,031,828	38,008,282 <i>Note 2</i>

Note 1: The financial data from 2019 to 2023 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 2023 earnings.

VI. Finance Overview

IFRS (Individual)

Unit: NT\$ thousands

Year		Five Year Financial Summary (Note 1)				
		2019	2020	2021	2022	2023
Item						
Current Assets		110,714,026	132,079,767	165,564,660	198,357,583	229,446,754
Property, Plant and Equipment		604,518	581,480	1,230,257	1,198,335	1,409,201
Intangible Assets		—	—	—	—	—
Other Assets		3,554,628	4,871,769	8,068,299	12,808,086	18,911,097
Total Assets		114,873,172	137,533,016	174,863,216	212,364,004	249,767,052
Current Liabilities	Before Distribution	94,067,671	115,799,966	151,807,531	182,475,121	213,278,609
	After Distribution	95,664,173	117,602,467	153,970,533	184,336,307	215,265,165 Note 2
Non-Current Liabilities		182,400	238,671	300,421	407,584	390,834
Total Liabilities	Before Distribution	94,250,071	116,038,637	152,107,952	182,882,705	213,669,443
	After Distribution	95,846,573	117,841,138	154,270,954	184,743,891	215,655,999 Note 2
Share Capital		5,150,004	5,150,004	5,150,004	5,650,004	6,665,004
Capital Surplus		8,002,731	7,996,585	8,000,217	12,510,367	17,011,275
Retained Earnings	Before Distribution	7,434,223	8,423,272	9,762,214	11,222,599	12,536,225
	After Distribution	5,837,721	6,620,771	7,599,212	9,361,413	10,549,669 Note 2
Other Equity Interest		(116,319)	(75,482)	(157,171)	98,329	(114,895)
Treasury Stock		—	—	—	—	—
Predecessor Interests under Common Controls		152,462	—	—	—	—
Total Equity	Before Distribution	20,623,101	21,494,379	22,755,264	29,481,299	36,097,609
	After Distribution	19,026,599	19,691,878	20,592,262	27,620,113	34,111,053 Note 2

Note 1: The financial data from 2019 to 2023 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 2023 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 1)				
	2019	2020	2021	2022	2023
Operating Revenue	13,721,765	14,665,572	17,957,948	22,787,250	28,660,435
Gross Profit	8,656,609	9,433,517	11,929,715	14,612,935	16,693,098
Operating Profit	3,007,995	3,205,417	4,322,048	4,750,404	5,225,934
Non-Operating Income and Expenses	54,475	429,179	341,561	606,114	305,277
Profit Before Tax	3,062,470	3,634,596	4,663,609	5,356,518	5,531,211
Income from Continuing Operations	2,376,284	2,792,480	3,530,192	4,069,584	4,092,156
Loss from Discontinued Operations	—	—	—	—	—
Net Income	2,376,284	2,792,480	3,530,192	4,069,584	4,092,156
Other Comprehensive Income (Loss) for the Year, Net of Tax	(65,557)	72,606	(90,494)	281,385	(280,445)
Total Comprehensive Income for the Year	2,310,727	2,865,086	3,439,698	4,350,969	3,811,711
Net Income Attributable to Owners of the Parent	2,235,585	2,585,551	3,141,443	3,623,387	3,689,812
Net Income Attributable to Predecessors' Interests under Common Control	536	(12,100)	—	—	—
Net Income Attributable to Non-Controlling Interests	140,163	219,029	388,749	446,197	402,344
Comprehensive Income Attributable to Owners of the Parent	2,238,514	2,626,388	3,059,754	3,878,887	3,476,588
Comprehensive Income Attributable to Predecessors' Interests under Common Control	536	(12,100)	—	—	—
Comprehensive Income Attributable to Non-Controlling Interests	71,677	250,798	379,944	472,082	335,123
Earnings Per Share (Note 2)	5.28	4.55	5.55	6.40	6.41

Note 1: The financial data from 2019 to 2023 have been audited and certified by external auditors.

Note 2: Earnings per share are calculated retrospectively based on the effect of stock dividends for each year and based on the weighted average equity.

VI. Finance Overview

IFRS (Individual)

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

Item \ Year	Five Year Financial Summary (Note 1)				
	2019	2020	2021	2022	2023
Operating Revenue	8,721,699	9,529,561	11,785,227	15,235,369	18,578,111
Gross Profit	6,362,526	7,185,518	9,438,193	11,412,407	12,425,411
Operating Profit	2,635,072	2,995,449	3,544,900	4,143,018	4,269,513
Non-Operating Income and Expenses	188,244	263,986	421,293	458,482	527,995
Profit Before Tax	2,823,316	3,259,435	3,966,193	4,601,500	4,797,508
Income from Continuing Operations	2,235,858	2,579,402	3,141,443	3,623,387	3,689,812
Loss from Discontinued Operations	—	—	—	—	—
Net Income	2,235,858	2,579,402	3,141,443	3,623,387	3,689,812
Other Comprehensive Income (Loss) for the Year, Net of Tax	2,929	40,837	(81,689)	255,500	(213,224)
Total Comprehensive Income for the Year	2,238,787	2,620,239	3,059,754	3,878,887	3,476,588
Earnings Per Share (Note 2)	5.28	4.55	5.55	6.40	6.41

Note 1: The financial data from 2019 to 2023 have been audited and certified by external auditors.

Note 2: Earnings per share are calculated retrospectively based on the effect of stock dividends for each year and based on the weighted average equity.

VI. Finance Overview

6.1.2 Important events that affect the consistency of comparison of the above financial statements, such as accounting changes, company mergers, or suspension of business departments, and their effects on the financial statements of the current year:

The Group participated in the capital increase of the parent company Hozan Investment Co., Ltd.'s sub-subsidiary, iRent Service Co., Ltd. on March 20, 2020, and gained control. As this is an organizational reorganization within the Group, this merger should be deemed as a start-up merger. Therefore, when preparing the 2020 parent company only and consolidated financial statements, the 2019 parent company only and the consolidated financial statements were adjusted retrospectively.

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
2019	PricewaterhouseCoopers Taiwan	Fang-Yu Wang; Se-Kai Lin	Unqualified
2020	PricewaterhouseCoopers Taiwan	Fang-Yu Wang; Se-Kai Lin	Unqualified with emphasized matters paragraph
2021	PricewaterhouseCoopers Taiwan	Fang-Yu Wang; Se-Kai Lin	Unqualified
2022	PricewaterhouseCoopers Taiwan	Fang-Yu Wang; Chun-Yuan Hsiao	Unqualified opinion With other matters paragraph
2023	PricewaterhouseCoopers Taiwan	Chun-Yuan Hsiao; Chia-Hung Lin	Unqualified opinion With other matters paragraph

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

In 2023, due to the reassignment of personnel of the accounting firm, the then external auditors, Fang-Yu Wang and Chun-Yuan Hsiao, were replaced by Chun-Yuan Hsiao and Chia-Hung Lin.

VI. Finance Overview

6.2 Five Year Financial Analysis

IFRS (Consolidated)

Year		Five Year Financial Summary (Note 2)				
		2019	2020	2021	2022	2023
Item (Note)						
Financial Structure (%)	Debt Ratio	83.58	85.12	87.35	87.12	87.19
	Ratio of Long-Term Capital to Property, Plant and Equipment	549.56	520.02	440.69	493.53	462.21
Solvency (%)	Current Ratio	113.70	111.18	107.76	106.97	105.23
	Quick Ratio	108.92	106.49	103.98	103.86	102.73
	Interest Earned Ratio	2.95	3.59	4.13	3.08	2.22
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)	4.60	3.31	3.38	3.54	3.59
	Total Assets Turnover (times)	0.11	0.10	0.10	0.10	0.10
Profitability	Return on Total Assets (%)	2.81	2.65	2.62	2.68	2.72
	Return On Equity (%)	13.88	12.13	14.36	13.94	11.23
	Pre-Tax Income to Paid-In Capital (%)	59.47	70.57	90.56	94.81	82.99
	Profit Ratio (%)	17.32	19.04	19.66	17.86	14.28
	Earnings Per Share (NT\$) (Note 3)	5.28	4.55	5.55	6.40	6.41
Cash Flow	Cash Flow Ratio (%)	(6.21)	(12.94)	(19.70)	(19.89)	(16.57)
	Cash Flow Adequacy Ratio (%)	0.00	0.00	0.00	0.00	0.00
	Cash Reinvestment Ratio (%)	(33.82)	(73.22)	(127.07)	(125.46)	(102.96)
Leverage	Operating Leverage	1.67	1.71	1.58	1.63	1.68
	Financial Leverage	1.00	1.00	1.00	1.00	1.00
<p>Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis can be waived.)</p> <ol style="list-style-type: none"> 1. Decrease in Interest Coverage Ratio by 28%: Mainly due to the increase in interest expenses as a result of the increase in the loan interest rate in 2023. 2. Decrease in net profit rate by 20%: Mainly due to the increase in interest expenses due to the increase in borrowing rates in 2023. 						

Note 1: Not applicable due to industry characteristics, accounts receivable turnover rate, inventory turnover rate, accounts payable turnover rate and financial leverage.

Note 2: The financial information from 2019 to 2023 has been audited and certified by the CPAs.

Note 3: Earnings per share are calculated retrospectively based on the effect of stock dividends for each year and based on the weighted average equity.

VI. Finance Overview

IFRS (Individual)

Year		Five Year Financial Summary (Note 2)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt Ratio	82.05	84.37	86.99	86.12	85.55
	Ratio of Long-Term Capital to Property, Plant and Equipment	3,441.67	3,737.54	1,874.05	2,494.20	2,589.30
Solvency (%)	Current Ratio	117.70	114.06	109.06	108.70	107.58
	Quick Ratio	114.13	110.62	106.62	107.11	106.34
	Interest Earned Ratio (times)	4.33	5.06	6.06	3.79	2.55
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)	14.34	16.07	13.01	12.55	14.25
	Total Assets Turnover (times)	0.08	0.08	0.08	0.08	0.08
Profitability	Return on Total Assets (%)	2.67	2.55	2.41	2.55	2.67
	Return On Equity (%)	14.46	12.25	14.20	13.87	11.25
	Pre-Tax Income to Paid-In Capital (%)	54.82	63.29	77.01	81.44	71.98
	Profit Ratio (%)	25.64	27.07	26.66	23.78	19.86
	Earnings Per Share (NT\$) (Note 3)	5.28	4.55	5.55	6.40	6.41
Cash Flow	Cash Flow Ratio (%)	(9.63)	(16.93)	(20.91)	(17.07)	(14.98)
	Cash Flow Adequacy Ratio (%)	0.00	0.00	0.00	0.00	0.00
	Cash Reinvestment Ratio (%)	(48.50)	(95.75)	(142.88)	(110.28)	(91.91)
Leverage	Operating Leverage	1.39	1.38	1.35	1.32	1.34
	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%): 1. Decrease in Interest Coverage Ratio by 33%: Mainly due to the increase in interest expenses as a result of the increase in the loan and rising interest rate in 2023.						

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 2019 to 2023 have been audited and certified by external auditors.

Note 3: Earnings per share are calculated retrospectively based on the effect of stock dividends for each year and based on the weighted average equity.

Note 4: The IFRS formulas for calculating the financial ratios are as follows:

1. Financial structure

(1) Debt ratio = total liabilities/total assets

VI. Finance Overview

(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

6.3 Audit Committee Report Regarding the Most Recent Annual Financial Report

Hotai Finance Co., Ltd.

Audit Committee Report

To: The 2024 Annual General Shareholders' Meeting of Hotai Finance Co., Ltd. (the "Company")

The Board of Directors has submitted the Company's 2023 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for profit distribution. The accountants Chun-Yuan Hsiao and Chia-Hung Lin, both from PricewaterhouseCoopers Taiwan, have audited the 2023 Financial Statements (including the Consolidated Financial Statements) and issued an audit report. The above-mentioned the Company's 2023 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: Ming-You Huang

Independent Director: Wei-Lin Mao

Independent Director: Min-Chieh Chang

March 12, 2024

VI. Finance Overview

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, 2023, 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 12, 2024

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 subsidiaries (the “Group”) as at December 31, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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.

The key audit matters for the Group's 2023 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 accounts 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 and 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 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\$1,726,977 thousand and NT\$285,092 thousand, constituting 0.55% and 0.11% of the consolidated total assets as at December 31, 2023 and 2022, respectively, and the operating revenue amounted to NT\$66,679 thousand and NT\$3,606 thousand, constituting 0.23% and 0.02% of the consolidated total operating revenue for the years then ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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.

VI. Finance Overview

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 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.

Hsiao, Chun-Yuan

Lin, Chia-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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

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

VI. Finance Overview

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

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,878,184	1	\$ 2,382,775	1
1110	Financial assets at fair value through profit or loss-current	6(2)	-	-	300,000	-
1139	Hedging financial assets-current	6(3)	570,885	-	504,827	-
1150	Notes receivable, net	6(4) and 8	11,912,779	4	9,340,046	4
1170	Accounts receivable, net	6(4), 7 and 8	261,555,829	84	216,928,982	85
1200	Other receivables		78,696	-	82,568	-
130X	Inventories		4,962	-	5,979	-
1410	Prepayments	6(5) and 7	6,747,521	2	6,886,170	3
1476	Other current financial assets	8	506,020	-	373,119	-
11XX	Total current Assets		<u>284,254,876</u>	<u>91</u>	<u>236,804,466</u>	<u>93</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income-non-current		19,656	-	3,519	-
1550	Investments accounted for using equity method	6(6)	1,134,293	1	115,502	-
1600	Property, plant and equipment, net	6(7) and 8	9,090,069	3	6,886,804	3
1755	Right-of-use assets	6(8)	497,696	-	368,464	-
1760	Investment property, net	6(10)	282,607	-	284,766	-
1780	Intangible assets	6(11)	443,288	-	-	-
1840	Deferred income tax assets	6(30)	1,004,499	-	826,857	-
1930	Long-term notes and accounts receivable	6(4)	13,491,252	4	8,463,807	3
1990	Other non-current assets, others	8	1,921,476	1	1,610,903	1
15XX	Total non-current assets		<u>27,884,836</u>	<u>9</u>	<u>18,560,622</u>	<u>7</u>
1XXX	Total assets		<u>\$ 312,139,712</u>	<u>100</u>	<u>\$ 255,365,088</u>	<u>100</u>

(Continued)

VI. Finance Overview

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

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Liabilities						
Current liabilities						
2100	Short-term loans	6(12)	\$ 92,619,765	30	\$ 83,933,343	33
2110	Short-term notes and bills payable	6(13)	133,524,317	43	104,986,596	41
2126	Hedging financial liabilities-current	6(3)	1,087,983	-	586,800	-
2150	Notes payable		1,522,704	1	762,215	1
2170	Accounts payable		484,272	-	355,928	-
2180	Accounts payable - related parties	7	223,514	-	158,458	-
2200	Other payables	7	3,390,682	1	3,165,332	1
2230	Current income tax liabilities		854,078	-	724,843	-
2280	Current lease liabilities	7	144,040	-	114,848	-
2320	Bonds payable	6(14)	31,200,000	10	22,200,000	9
2320	Long-term liabilities, current portion	6(15)	595,200	-	7,891	-
2370	Current financial guarantee liabilities		27,486	-	39,598	-
2399	Guarantee deposits received-current	6(16)	4,404,620	1	4,275,142	2
2399	Other current liabilities, others		46,109	-	65,667	-
21XX	Total current liabilities		<u>270,124,770</u>	<u>86</u>	<u>221,376,661</u>	<u>87</u>
Non-current liabilities						
2540	Long-term loans	6(15)	936,215	1	254,832	-
2570	Deferred income tax liabilities	6(30)	473,579	-	360,686	-
2580	Lease liabilities-non-current	7	354,326	-	255,831	-
2645	Guarantee deposits received-non-current	6(16)	255,984	-	224,064	-
25XX	Total non-current liabilities		<u>2,020,104</u>	<u>1</u>	<u>1,095,413</u>	<u>-</u>
2XXX	Total Liabilities		<u>272,144,874</u>	<u>87</u>	<u>222,472,074</u>	<u>87</u>
Equity						
Share capital						
3110	Common stock	6(19)	5,665,004	2	5,150,004	2
3120	Preference stock		1,000,000	-	500,000	-
Capital surplus						
3200	Capital surplus	6(20)	17,011,275	6	12,510,367	5
Retained earnings						
3310	Legal reserve	6(21)	2,445,870	1	2,083,531	1
3320	Special reserve		23,732	-	157,171	-
3350	Unappropriated earnings		10,066,623	3	8,981,897	4
Other equity interest						
3400	Other equity interest		(114,895)	-	98,329	-
31XX	Total equity attributable to shareholders of the parent		<u>36,097,609</u>	<u>12</u>	<u>29,481,299</u>	<u>12</u>
36XX	Non-controlling interest		<u>3,897,229</u>	<u>1</u>	<u>3,411,715</u>	<u>1</u>
3XXX	Total equity		<u>39,994,838</u>	<u>13</u>	<u>32,893,014</u>	<u>13</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant event after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 312,139,712</u>	<u>100</u>	<u>\$ 255,365,088</u>	<u>100</u>

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

VI. Finance Overview

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31				
		2023		2022		
		Amount	%	Amount	%	
4000	Operating revenue	6(22) and 7	\$ 28,660,435	100	\$ 22,787,250	100
5000	Operating costs	6(23) and 7	(11,967,337)	(42)	(8,174,315)	(36)
5900	Gross profit		<u>16,693,098</u>	<u>58</u>	<u>14,612,935</u>	<u>64</u>
	Operating expenses	6(28)(29) and 7				
6100	Selling expenses		(5,947,300)	(21)	(6,293,747)	(28)
6200	General and administrative expenses		(2,115,489)	(7)	(1,726,702)	(7)
6450	Expected credit losses		(3,404,375)	(12)	(1,842,082)	(8)
6000	Total operating expenses		(11,467,164)	(40)	(9,862,531)	(43)
6900	Operating profit		<u>5,225,934</u>	<u>18</u>	<u>4,750,404</u>	<u>21</u>
	Non-operating income and expenses					
7100	Interest income	6(24)	27,751	-	22,678	-
7010	Other income	6(25)	334,325	1	615,636	3
7020	Other gains and losses	6(26)	(22,754)	-	(8,645)	-
7050	Finance costs	6(27)	(6,375)	-	(4,059)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(27,670)	-	(19,496)	-
7000	Total non-operating income and expenses		<u>305,277</u>	<u>1</u>	<u>606,114</u>	<u>3</u>
7900	Profit before income tax		<u>5,531,211</u>	<u>19</u>	<u>5,356,518</u>	<u>24</u>
7950	Income tax expense	6(30)	(1,439,055)	(5)	(1,286,934)	(6)
8200	Profit for the year		<u>\$ 4,092,156</u>	<u>14</u>	<u>\$ 4,069,584</u>	<u>18</u>

(Continued)

VI. Finance Overview

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2023		2022	
		Amount	%	Amount	%
Other comprehensive income (loss) for the year					
Components of other comprehensive income that may not be reclassified to profit or loss					
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		\$ 137	-	\$ 162	-
8310 Total components of other comprehensive income that may not be reclassified to profit or loss		<u>137</u>	-	<u>162</u>	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations		(112,003)	-	72,090	-
8368 (Losses) gains on hedging instruments	6(3)	(204,858)	(1)	266,365	1
8399 Income tax related to components of other comprehensive income (losses) that will be reclassified to profit or loss	6(30)	<u>36,279</u>	-	(57,232)	-
8360 Total components of other comprehensive income (loss) that will be reclassified to profit or loss		(280,582)	(1)	<u>281,223</u>	1
8300 Other comprehensive income (loss) for the year, net of tax		(\$ 280,445)	(1)	\$ 281,385	1
8500 Total comprehensive income for the year		<u>\$ 3,811,711</u>	<u>13</u>	<u>\$ 4,350,969</u>	<u>19</u>
Profit attributable to:					
8610 Owners of the parent		\$ 3,689,812	13	\$ 3,623,387	16
8620 Non-controlling interests		<u>402,344</u>	<u>1</u>	<u>446,197</u>	<u>2</u>
		<u>\$ 4,092,156</u>	<u>14</u>	<u>\$ 4,069,584</u>	<u>18</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 3,476,588	12	\$ 3,878,887	17
8720 Non-controlling interests		<u>335,123</u>	<u>1</u>	<u>472,082</u>	<u>2</u>
		<u>\$ 3,811,711</u>	<u>13</u>	<u>\$ 4,350,969</u>	<u>19</u>
Earnings per share (in dollars)	6(31)				
9750 Basic earnings per share		\$	6.41	\$	6.40
9850 Diluted earnings per share		<u>\$</u>	<u>6.40</u>	<u>\$</u>	<u>6.39</u>

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

VI. Finance Overview

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent													
		Share capital			Retained earnings				Other equity interest				Total	Non-controlling interest	Total equity
		Common stock	Preference stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(Losses) gains on hedging instruments					
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		-	-	-	-	-	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 dividend on common stock	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		-	-	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		
Year ended December 31, 2023															
Balance at January 1, 2023		\$ 5,150,004	\$ 500,000	\$ 12,510,367	\$ 2,083,531	\$ 157,171	\$ 8,981,897	(\$ 71,283)	\$ 3,156	\$ 166,456	\$ 29,481,299	\$ 3,411,715	\$ 32,893,014		
Profit for the year		-	-	-	-	-	3,689,812	-	-	-	3,689,812	402,344	4,092,156		
Other comprehensive income (loss) for the year		-	-	-	-	-	-	(56,449)	190	(156,965)	(213,224)	(67,221)	(280,445)		
Total comprehensive income (loss)		-	-	-	-	-	3,689,812	(56,449)	190	(156,965)	3,476,588	335,123	3,811,711		
Appropriation and distribution of retained earnings															
Legal reserve	6(21)	-	-	-	362,339	-	(362,339)	-	-	-	-	-	-		
Special reserve reversed	6(21)	-	-	-	-	(133,439)	133,439	-	-	-	-	-	-		
Dividend on preferred stock	6(21)	-	-	-	-	-	(58,685)	-	-	-	(58,685)	-	(58,685)		
Cash dividend on common stock	6(21)	-	-	-	-	-	(1,802,501)	-	-	-	(1,802,501)	(229,609)	(2,032,110)		
Stock dividend on common stock	6(19)(21)	515,000	-	-	-	-	(515,000)	-	-	-	-	-	-		
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)	-	-	908	-	-	-	-	-	-	908	-	908		
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	380,000	380,000		
Balance at December 31, 2023		\$ 5,665,004	\$ 1,000,000	\$ 17,011,275	\$ 2,445,870	\$ 23,732	\$ 10,066,623	(\$ 127,732)	\$ 3,346	\$ 9,491	\$ 36,097,609	\$ 3,897,229	\$ 39,994,838		

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

VI. Finance Overview

HOTAI FINANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
Cash Flows From Operating Activities			
Profit before tax		\$ 5,531,211	\$ 5,356,518
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		4,411,363	2,685,773
Depreciation	6(28)	1,485,314	1,435,359
Amortization	6(11)	12,468	-
Reversal of impairment loss recognized on leased assets	6(7)	(2,437)	(4,236)
Gains on financial assets at fair value through profit or loss	6(2)(26)	(6,313)	(3,264)
Share-based payments	6(18)	908	10,150
Net losses (gains) on disposals of property, plant and equipment	6(26)	112	(3,236)
Interest expense	6(23)(27)	4,522,930	2,572,427
Interest income	6(22)(24)	(20,832,677)	(16,306,889)
Dividend income		(900)	(911)
Profit from lease modification	6(8)	(887)	(770)
Share of profit or loss of associates accounted for using equity method	6(6)	27,670	19,496
Exchange gain		-	3,805
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating assets			
Financial assets at fair value through profit or loss		306,313	(296,736)
Notes and accounts receivable		(5,622,431)	(52,699,883)
Other receivables		24,632	5,667
Inventories		781,988	363,189
Prepayments		176,359	(248,300)
Other financial assets		(117,438)	(1,981)
Net changes in liabilities relating to operating activities			
Notes and accounts payable		929,840	100,181
Other payables		(294,246)	253,887
Current financial guarantee liabilities		(12,112)	(14,109)
Other current liabilities, others		(21,534)	4,374
Cash outflow generated from operations		(59,699,867)	(56,769,489)
Cash dividends received		900	911
Interest received		20,822,329	16,287,954
Interest paid		(4,451,559)	(2,431,301)
Income tax paid		(1,442,906)	(1,126,953)
Net cash flows used in operating activities		(44,771,103)	(44,038,878)
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment	6(33)	(3,273,932)	(2,497,377)
Net cash flow from acquisition of subsidiaries		(600,756)	(13,228)
Acquisition of financial assets at fair value through other comprehensive income		(16,000)	-
Acquisition of investments accounted for using equity method	6(6)	(1,046,461)	(31,850)
Proceeds from disposal of property, plant and equipment		15,794	8,391
Increase in other non-current assets		(501,517)	(13,351)
Net cash flows used in investing activities		(5,422,872)	(2,547,415)
Cash Flows From Financing Activities			
Increase in short-term loans	6(34)	8,839,685	26,581,698
Increase in short-term notes and bills payable	6(34)	28,530,012	8,113,400
Proceeds from long-term loans	6(34)	1,434,102	4,235
Repayments of long-term loans	6(34)	(790,498)	(1,315)
Proceeds from issuance of bonds payable	6(14)(34)	9,000,000	10,000,000
Increase in guarantee deposits received	6(34)	160,596	534,005
Cash dividends paid	6(34)	(1,861,186)	(2,163,002)
Proceeds from issuance of preference stock	6(19)	5,000,000	5,000,000
Increase (decrease) in other payables	6(34) and 7	423,085	(296,867)
Repayment of principal portion of lease liabilities	6(34)	(149,623)	(151,410)
Cash dividends distributed by subsidiaries to non-controlling interests		(229,609)	-
Change in non-controlling interests		380,000	200,000
Net cash flows from financing activities		50,736,564	47,820,744
Effect of exchange rate changes		(47,180)	89,751
Increase in cash and cash equivalents		495,409	1,324,202
Cash and cash equivalents at beginning of year		2,382,775	1,058,573
Cash and cash equivalents at end of year		\$ 2,878,184	\$ 2,382,775

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

VI. Finance Overview

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

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

1. HISTORY AND ORGANIZATION

Hotai Finance Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in installment sales and leases of vehicles and equipment. Hozan Investment Co., Ltd. holds 45.395% ordinary equity interest in the Company. Ho Tai Motor Co. Ltd. is the Group’s ultimate parent company.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

VI. Finance Overview

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

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

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

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

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

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

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 MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and 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

VI. Finance Overview

losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar energy business	80.00	80.00	Note 1
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Energy storage business	100.00	100.00	Note 2
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Solar energy business	96.97	90.00	Note 3, 11
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Solar energy business	99.00	90.00	Note 3, 11
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Solar energy business	99.00	90.00	Note 3, 11
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Electricity retailing business	100.00	-	Note 4
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Solar energy business	100.00	-	Note 5
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Solar energy business	100.00	-	Note 9
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Solar energy business	100.00	-	Note 9
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Solar energy business	100.00	-	Note 10
Cheng Yo Technology Co., Ltd.	Hon Yang Energy Co., Ltd.	Solar energy business	100.00	-	Note 10
Hoyun International Limited	Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	Note 6
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	
Hoyun International Leasing Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100.00	100.00	Note 7

VI. Finance Overview

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Hoyun International Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	100.00	Note 7
Hoyun International Leasing Co., Ltd.	Hemei International Trade (Suzhou) Co., Ltd.	Goods trading business	100.00	100.00	Note 8

Note 1: Established in February 2022.

Note 2: Acquired in September 2022.

Note 3: Acquired in October 2022.

Note 4: Established in February 2023.

Note 5: Acquired in March 2023.

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

Note 7: Acquired in May 2022.

Note 8: Established in June 2022. Homei Consulting (Suzhou) Company Limited was renamed as Homei International Trade (Suzhou) Co., Ltd. in June 2023.

Note 9: Acquired in August 2023.

Note 10: Acquired in September 2023.

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

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, 2023 and 2022, the non-controlling interest amounted to \$3,897,229 and \$3,411,715, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Hoyun International Limited	China	\$ 2,781,574	49.50%	\$ 2,708,554	49.50%

VI. Finance Overview

Summarised financial information of the subsidiaries:

Balance sheets

	Hoyun International Limited	
	December 31, 2023	December 31, 2022
Current assets	\$ 34,022,605	\$ 26,651,451
Non-current assets	3,466,359	3,029,418
Current liabilities	(31,558,844)	(23,836,645)
Non-current liabilities	(310,778)	(372,397)
Total net assets	<u>\$ 5,619,342</u>	<u>\$ 5,471,827</u>

Statements of comprehensive income

	Hoyun International Limited	
	Year ended Decemeber 31,	
	2023	2022
Revenue	\$ 4,298,198	\$ 3,654,842
Profit before income tax	1,061,332	1,189,879
Income tax expense	(314,937)	(305,511)
Profit for the period	<u>746,395</u>	<u>884,368</u>
Other comprehensive (loss) income, net of tax	(135,243)	52,294
Total comprehensive income for the period	<u>\$ 611,152</u>	<u>\$ 936,662</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 302,521</u>	<u>\$ 463,647</u>

Statements of cash flows

	Hoyun International Limited	
	Year ended Decemeber 31,	
	2023	2022
Net cash used in operating activities	(\$ 3,946,811)	(\$ 2,931,203)
Net cash used in investing activities	(506,832)	(604,663)
Net cash provided by financing activities	5,988,144	3,723,426
Effect of exchange rates on cash and cash equivalents	(47,180)	89,751
Increase in cash and cash equivalents	<u>1,487,321</u>	<u>277,311</u>
Cash and cash equivalents, beginning of period	<u>774,647</u>	<u>497,336</u>
Cash and cash equivalents, end of period	<u>\$ 2,261,968</u>	<u>\$ 774,647</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges qualifying net investment hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;

VI. Finance Overview

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

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

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

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive

payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

For financial assets at amortized cost, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. However, for accounts receivable or operating lease receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

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

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

(13) Investments accounted for using equity method - associates

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

accounted for using the equity method and are initially recognized at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset,

VI. Finance Overview

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)	1 ~ 20 years
Transportation equipment	1 ~ 6 years
Leasehold improvements	1 ~ 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.

VI. Finance Overview

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

(16) Investment property

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

(17) Intangible assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Intangible assets other than goodwill, mainly electricity sales agreements, are amortised on a straight-line basis over their estimated useful life of 16 years.

(18) 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.

(19) 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.

(20) 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.

(21) Derecognition of financial liabilities

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

(22) 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'.

(23) 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.

(24) 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.

(25) 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 and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, 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 Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) 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.

(27) Income tax

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

(28) 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.

VI. Finance Overview

(29) Dividends

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

(30) Revenue recognition

A. Sales of goods

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

B. Interest income

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

C. Rental revenue

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

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

D. Service revenue

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

The debt is transferred from the loan borrowers to the Group once the borrowers default on loans. The Group pursues the defaulting borrowers for outstanding payments. Please refer to Note 4(23) 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.

(31) 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.

(32) 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:

VI. Finance Overview

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of allowance for doubtful accounts

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

The carrying amount of notes and accounts receivable (including long-term notes and accounts receivable) is \$286,959,860 as of December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 3,995	\$ 3,966
Checking accounts and demand deposits	2,852,580	2,356,739
Cash equivalents		
Time deposits	21,609	22,070
	<u>\$ 2,878,184</u>	<u>\$ 2,382,775</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, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ -</u>	<u>\$ 300,000</u>

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

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 6,313</u>	<u>\$ 3,264</u>

VI. Finance Overview

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

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

(3) Hedging financial assets and liabilities

	December 31, 2023		December 31, 2022	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges:				
<u>Exchange rate risk and interest rate risk</u>				
Cross-currency swaps	\$ 570,885	(\$ 1,087,983)	\$ 504,827	(\$ 586,800)

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

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

Hedging instruments	December 31, 2023					Year ended December 31, 2023			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges:									
<u>Exchange rate risk</u>									
<u>Interest rate risk</u>									
Cross-currency swaps transactions	USD	67,550	2022/1/12~2025/1/13	\$ 199,234	\$ -	\$ -	6.33~6.55	4.11~5.30	\$ -
	USD	30,000	2023/9/7~2024/9/6	-	(30,648)	-	31.97	1.85	-
	JPY	66,100,000	2021/9/30~2025/5/2	114,975	(1,042,778)	-	0.21~0.25	0.83~2.32	-
	JPY	4,000,000	2023/10/23~2026/10/23	-	(14,557)	-	0.05	4.20	-
	EUR	75,000	2022/9/12~2024/9/12	256,676	-	-	30.6	2.04	-

VI. Finance Overview

Hedging instruments	December 31, 2022				Year ended December 31, 2022				
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges:									
<u>Exchange rate risk</u>									
<u>Interest rate risk</u>									
Cross-currency swaps transactions	USD	69,050	2022/1/12~2025/1/13	\$ 162,926	\$ -	\$ -	6.33~6.55	4.108~5.30	\$ -
	JPY	58,800,000	2020/8/5~2024/9/9	182,211	(586,800)	-	0.23~0.28	0.83~2.24	-
	EUR	75,000	2022/9/12~2024/9/12	159,690	-	-	30.60	2.04	-

Hedged items	December 31, 2023	
	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Cash flow hedges:		
<u>Exchange rate risk and interest rate risk</u>		
Long-term and short-term loans	\$ 21,301,981	(\$ 513,765)

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>		
Long-term and short-term loans	\$ 18,495,220	(\$ 282,796)

C. Cash flow hedges

	Year ended December 31, 2023	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	\$	156,657
Less: Losses on hedge effectiveness-amount recognized in other comprehensive income	(	181,631)
Less: Reclassified to profit or loss as the hedged item has affected the profit and loss	(	23,227)
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income		36,279
At December 31	(\$)	11,922)

VI. Finance Overview

	<u>Year ended December 31, 2022</u>	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	(\$	52,476)
Add: Gains on hedge effectiveness-amount recognized in other comprehensive income		324,887
Less: Reclassified to profit or loss as the hedged item has affected the profit and loss	(	58,522)
Less: Income tax relating to the hedge effectiveness- amount recognized in other comprehensive income	(	57,232)
At December 31	\$	<u>156,657</u>

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Installment notes receivable	\$ 11,907,542	\$ 9,279,605
Installment accounts receivable	288,557,256	234,175,684
Accounts receivable	58,729	10,136
Lease payments and notes receivable	<u>33,497,863</u>	<u>27,491,636</u>
	334,021,390	270,957,061
Less: Unrealized interest revenue	(38,338,575)	(28,830,021)
Unearned finance income	(3,319,045)	(2,685,321)
Allowance for doubtful accounts	<u>(5,403,910)</u>	<u>(4,708,884)</u>
Notes and accounts receivable, net	<u>\$ 286,959,860</u>	<u>\$ 234,732,835</u>

As of December 31, 2023 and 2022, notes receivable pledged as collaterals for loans and commercial papers to banks amounted to \$12,654,914 and \$9,419,216, 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:

VI. Finance Overview

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 330,161,043	\$ 268,604,715
31 to 60 days	1,425,021	794,048
61 to 90 days	763,509	458,572
91 to 120 days	643,436	303,456
121 to 150 days	506,489	305,658
Over 151 days	521,892	490,612
	<u>\$ 334,021,390</u>	<u>\$ 270,957,061</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, 2023</u>	<u>December 31, 2022</u>
Not later than one year	\$ 97,115,040	\$ 80,152,869
Over 1 year	203,349,758	163,302,420
	<u>\$ 300,464,798</u>	<u>\$ 243,455,289</u>

C. Lease payments receivable

Please refer to Note 6(9).

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

(5) Prepayments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments	\$ 3,169,512	\$ 3,205,965
Prepaid commission	2,743,722	2,879,378
Prpaid insurance premiums	195,876	178,600
Others	638,411	622,227
	<u>\$ 6,747,521</u>	<u>\$ 6,886,170</u>

(6) Investments accounted for using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Hotai Mobility Service Co., Ltd.	\$ 79,151	\$ 91,148
Zheng-Ren Energy Co., Ltd.	72,315	24,354
Gochabar Co., Ltd.	29,787	-
Heng Fong Energy Co., Ltd.	405,316	-
Ly Hour Leasing PLC	547,724	-
	<u>\$ 1,134,293</u>	<u>\$ 115,502</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, 2023 and 2022, the carrying amount of the Group's individually immaterial associates amounted to \$1,134,293 and \$115,502, respectively.

VI. Finance Overview

	Year ended Decemeber 31,	
	2023	2022
Comprehensive loss for the period	(\$ 27,670)	(\$ 19,496)

- 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 (\$27,670) and (\$19,496) for the years ended December 31, 2023 and 2022, respectively, and were recognized based on the financial statements audited by other independent auditors.
- C. In October 2023, the Group acquired 35% of the shareholding of Ly Hour Leasing PLC amounting to US\$17,000. Although the Group is the single largest shareholder of Ly Hour Leasing PLC, 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 assessed that it does not have control over the company and only has significant influence over it.
- D. In February 2023, the Group participated in a cash capital increase of Zheng-Ren Energy Co., Ltd. amounting to \$54,880 based on its 35% shareholding ratio. The shareholding ratio remained unchanged.
- E. In January 2023, the Group invested in the establishment of Gochabar Co., Ltd. with an investment of \$36,000 and a shareholding ratio of 30%.
- F. In January 2023, the Group participated in a cash capital increase of Heng Fong Energy Co., Ltd. amounting to \$410,000 and a shareholding ratio of 20%.
- G. 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 assessed that it does not have control over the company and only has significant influence over it.

VI. Finance Overview

(7) Property, plant and equipment

	2023									
	Furniture and fixtures (including office equipment)					Transportation equipment			Leasehold improvements	Total
	Land	Buildings and structures	Owner- occupied	Lease (Note 1)	Subtotal	Owner- occupied	Lease (Note 1)	Subtotal		
At January 1										
Cost	\$ 947,458	\$ 267,998	\$ 691,942	\$ 438,116	\$ 1,130,058	\$ 142,887	\$ 7,129,629	\$ 7,272,516	\$ 110,624	\$ 9,728,654
Accumulated depreciation and impairment	-	(17,274)	(83,248)	(262,657)	(345,905)	(82,136)	(2,331,015)	(2,413,151)	(65,520)	(2,841,850)
	<u>\$ 947,458</u>	<u>\$ 250,724</u>	<u>\$ 608,694</u>	<u>\$ 175,459</u>	<u>\$ 784,153</u>	<u>\$ 60,751</u>	<u>\$ 4,798,614</u>	<u>\$ 4,859,365</u>	<u>\$ 45,104</u>	<u>\$ 6,886,804</u>
Opening net book amount as at January 1	\$ 947,458	\$ 250,724	\$ 608,694	\$ 175,459	\$ 784,153	\$ 60,751	\$ 4,798,614	\$ 4,859,365	\$ 45,104	\$ 6,886,804
Additions	240,240	26,954	882,587	66,262	948,849	41,175	1,990,656	2,031,831	46,279	3,294,153
Acquired from business combinations	-	-	857,300	-	857,300	-	-	-	-	857,300
Disposal	-	-	(1,222)	-	(1,222)	(7,181)	(7,227)	(14,408)	(276)	(15,906)
Reclassifications	-	-	75	(9,036)	(8,961)	-	(771,892)	(771,892)	-	(780,853)
Transfers from prepayments for business facilities	-	-	140,359	-	140,359	-	62,028	62,028	-	202,387
Depreciation	-	(6,599)	(101,714)	(105,008)	(206,722)	(24,141)	(1,075,445)	(1,099,586)	(22,571)	(1,335,478)
Gain on reversal of impairment loss	-	-	-	2,437	2,437	-	-	-	-	2,437
Net exchange differences	-	-	(156)	-	(156)	(1,419)	(18,791)	(20,210)	(409)	(20,775)
Closing net book amount as at December 31	<u>\$ 1,187,698</u>	<u>\$ 271,079</u>	<u>\$ 2,385,923</u>	<u>\$ 130,114</u>	<u>\$ 2,516,037</u>	<u>\$ 69,185</u>	<u>\$ 4,977,943</u>	<u>\$ 5,047,128</u>	<u>\$ 68,127</u>	<u>\$ 9,090,069</u>
At December 31										
Cost	\$ 1,187,698	\$ 294,952	\$ 2,755,859	\$ 305,519	\$ 3,061,378	\$ 159,525	\$ 7,472,469	\$ 7,631,994	\$ 155,555	\$ 12,331,577
Accumulated depreciation and impairment	-	(23,873)	(369,936)	(175,405)	(545,341)	(90,340)	(2,494,526)	(2,584,866)	(87,428)	(3,241,508)
	<u>\$ 1,187,698</u>	<u>\$ 271,079</u>	<u>\$ 2,385,923</u>	<u>\$ 130,114</u>	<u>\$ 2,516,037</u>	<u>\$ 69,185</u>	<u>\$ 4,977,943</u>	<u>\$ 5,047,128</u>	<u>\$ 68,127</u>	<u>\$ 9,090,069</u>

Note 1: 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.

Note 2: Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

Note 3: The borrowing costs capitalised as part of property, plant and equipment amounted to \$1,165 and the range of the interest rates for such capitalisation is 2.24%~2.39%.

VI. Finance Overview

2022

	2022									
	Land	Buildings and structures	Furniture and fixtures (including office equipment)			Transportation equipment			Leasehold improvements	Total
Owner-occupied			Lease (Note 1)	Subtotal	Owner-occupied	Lease (Note 1)	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 1: 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.

Note 2: Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

Note 3: The Group has no circumstances that require interest capitalised.

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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 59,344	\$ 25,299
Buildings and structures	437,256	340,974
Machinery and equipment	1,096	2,191
	<u>\$ 497,696</u>	<u>\$ 368,464</u>

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 3,153	\$ 858
Buildings and structures	143,428	147,838
Machinery and equipment	1,096	1,096
	<u>\$ 147,677</u>	<u>\$ 149,792</u>

- C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$300,528 and \$184,416, respectively.
- D. The information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 6,375	\$ 4,142
Expense on short-term lease contracts and leases of low-value assets	25,751	47,137
Profit from lease modification	887	770
Expense on variable lease payments	19,795	1,494

- E. For the years ended Decemeber 31, 2023 and 2022, the Group's total cash outflow for leases were \$201,544 and \$204,183 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:

	Year ended Decemeber 31,	
	2023	2022
Finance income from the net investment in the finance lease	\$ 3,291,243	\$ 2,722,938

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

	December 31, 2023	December 31, 2022
Next 1 year	\$ 22,279,374	\$ 18,589,016
Next 2 years	8,299,129	7,044,578
Next 3 years	1,996,473	1,476,779
Next 4 years	536,971	175,853
Next 5 years	197,630	119,922
Next 6 years	37,922	7,537
	<u>\$ 33,347,499</u>	<u>\$ 27,413,685</u>

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

	December 31, 2023	December 31, 2022
Undiscounted lease payments	\$ 33,347,499	\$ 27,413,685
Unearned finance income	(3,319,045)	(2,685,321)
Net investment in the lease	<u>\$ 30,028,454</u>	<u>\$ 24,728,364</u>

- E. For the years ended December 31, 2023 and 2022, the Group recognized rent income in the amounts of \$4,845,493 and \$4,307,603, 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:

	December 31, 2023	December 31, 2022
Next 1 year	\$ 453,250	\$ 566,590
Next 2 years	137,923	188,105
Next 3 years	54,082	64,911
Next 4 years	11,458	16,625
Next 5 years	3,870	3,845
	<u>\$ 660,583</u>	<u>\$ 840,076</u>

VI. Finance Overview

(10) Investment property

	2023		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 231,623	\$ 66,678	\$ 298,301
Accumulated depreciation	-	(13,535)	(13,535)
	<u>\$ 231,623</u>	<u>\$ 53,143</u>	<u>\$ 284,766</u>
At January 1	\$ 231,623	\$ 53,143	\$ 284,766
Depreciation charge	-	(2,159)	(2,159)
At December 31	<u>\$ 231,623</u>	<u>\$ 50,984</u>	<u>\$ 282,607</u>
At December 31			
Cost	\$ 231,623	\$ 66,678	\$ 298,301
Accumulated depreciation	-	(15,694)	(15,694)
	<u>\$ 231,623</u>	<u>\$ 50,984</u>	<u>\$ 282,607</u>
	2022		
	Land	Buildings and structures	Total
At January 1	\$ -	\$ -	\$ -
Reclassification	231,623	55,302	286,925
Depreciation charge	-	(2,159)	(2,159)
At December 31	<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:

	Year ended Decemeber 31,	
	2023	2022
Rental income from investment property	<u>\$ 7,249</u>	<u>\$ 5,039</u>
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation expense)	<u>\$ 3,135</u>	<u>\$ 3,139</u>

B. The fair value of the investment property held by the Group was \$322,329 and \$323,664 as at December 31, 2023 and 2022, respectively. The values are based on the recent transaction prices of similar properties in the respective regions of investment properties, taking into account factors such as location, scale, and usage. The appraisal belonged to the third level of fair value.

VI. Finance Overview

(11) Intangible assets

	2023		
	<u>Goodwill</u>	<u>Purchase agreements</u>	<u>Total</u>
Opening net book amount as at January 1	\$ -	\$ -	\$ -
Additions – acquired through business combinations	56,807	398,949	455,756
Amortisation charge	-	(12,468)	(12,468)
Closing net book amount as at December 31	<u>\$ 56,807</u>	<u>\$ 386,481</u>	<u>\$ 443,288</u>
At December 31			
Cost	\$ 56,807	\$ 398,949	\$ 455,756
Accumulated amortisation and impairment	-	(12,468)	(12,468)
	<u>\$ 56,807</u>	<u>\$ 386,481</u>	<u>\$ 443,288</u>

Details of amortisation on intangible assets are as follows:

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating costs	<u>\$ 12,468</u>	<u>\$ -</u>

(12) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Type of loans</u>		
Bank loans		
Credit loans	\$ 46,763,886	\$ 51,385,627
Pledged loans	6,078,047	7,500,000
Mid-term syndicated loans for working capital	39,777,832	25,047,716
	<u>\$ 92,619,765</u>	<u>\$ 83,933,343</u>
Interest rates	<u>0.49%~6.33%</u>	<u>0.55%~5.59%</u>

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

- A. The Group uses cross currency swap agreement to control the exchange rate risk and interest rate risk. After the cross currency swap, the rate range of short-term loans were 0.83%~4.40% and 0.83%~4.60%, respectively.
- B. The subsidiary, He Jing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of \$10,000,000 with 12 financial institutions including Mega International Commercial Bank, Ltd. in order to fulfill its working capital. The duration is 36 months (from July 12, 2023 to July 12, 2026), the loan can be drawn several times and is revolving. The payment term is to repay the full drawn amount at the maturity date.
- C. The Company has entered into a mid-term syndicated contract for a credit line of \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from February 24, 2023 to February 24, 2026). The loan can be drawn

VI. Finance Overview

several times. Of the total loan, \$6,025,000 is non-revolving and the payment term is to repay the drawn amounts in installments at the maturity date. The remaining amount of \$7,975,000 is revolving and the payment term is to repay the full drawn amount at the maturity date.

- D. The Company has entered into a mid-term syndicated contract for a credit line of JPY 25 billion with 9 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 12 months (from December 6, 2023 to December 6, 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.
- E. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 980 million with 12 financial institutions including Mizuho Bank, Ltd. in order to fulfil its working capital. Within six months from the contract signing date (from July 26, 2022 to January 26, 2023), the loan can be drawn several times but is non-revolving. Each borrowing period is 36 months. The payment term is to repay the drawn amounts in installments within the contract period.
- F. The Company has entered into a mid-term syndicated contract for a credit line of \$15,000,000 with 18 financial institutions including CTBC Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from June 29, 2022 to June 27, 2025). The loan can be drawn several times. Of the total loan, \$7,056,600 is non-revolving and the payment term is to repay the drawn amounts in installments within the contract period. The remaining amount of \$7,943,400 is revolving and the payment term is to repay the full drawn amount at the maturity date.
- G. The Company has entered into a mid-term syndicated contract for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, in order to fulfil its working capital. The duration is 36 months (from September 9, 2021 to September 9, 2024). The loan can be drawn several times but is non-revolving. The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- H. The subsidiary, Hoyun International Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- I. For the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods, the Group is required to maintain specific current ratio, owner's capital ratio, interest coverage ratio, net value, net tangible assets, debt to equity ratio, equity to assets ratio, net tangible assets to assets ratio and non-performing loan ratio.

As of December 31, 2023, the Group met all the financial commitments stated in the contract.

VI. Finance Overview

(13) Short-term notes and bill payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	\$ 133,651,400	\$ 105,113,400
Less: Unamortized discount	(127,083)	(126,804)
	<u>\$ 133,524,317</u>	<u>\$ 104,986,596</u>
Interest rates	<u>0.70%~2.63%</u>	<u>0.66%~1.99%</u>

(14) Bond payable

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

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

- A. The Company issued \$5,000,000 1.49% second secured ordinary bonds in 2023. The bonds mature 2 years from the issue date (October 27, 2023 ~ October 27, 2025) and will be redeemed in cash at face value at the maturity date.
- B. The Company issued \$4,000,000, 1.50% first unsecured ordinary bonds in 2023. The bonds mature 5 years from the issue date (March 28, 2023 ~ March 28, 2028) and will be redeemed in cash at face value at the maturity date.
- C. 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.
- D. 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.
- E. 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.
- F. 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.
- G. 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

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	December 31, 2023	December 31, 2022
Long-term bank borrowings				
Secured borrowings (Note)	Borrowing period is from July 2019 to December 2030; interest is repayable monthly, repayment of principal	2.27% ~2.81%	\$ 576,339	\$ -
	Borrowing period is from June 2022 to August 2029; interest is repayable monthly, repayment of principal	1.96% ~2.67%	-	115,165
Unsecured borrowings	Borrowing period is from January 2023 to December 2028; interest is repayable monthly, repayment of principal	2.24% ~2.61%	808,128	-
	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.20% ~6.47%	146,948	147,558
			1,531,415	262,723
Less : Long-term liabilities, current portion			(595,200)	(7,891)
			<u>\$ 936,215</u>	<u>\$ 254,832</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, 2023 and 2022, were 2.24%~5.30% and 1.96%~5.30%, respectively.

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

Duration of maturity	December 31, 2023	December 31, 2022
Up to 1 year	\$ 595,200	\$ 7,891
1 to 2 years	84,743	155,449
Over 2 years	851,472	99,383
	<u>\$ 1,531,415</u>	<u>\$ 262,723</u>

VI. Finance Overview

(16) Guarantee deposits received

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 4,404,620	\$ 4,275,142
Non-current	255,984	224,064
	<u>\$ 4,660,604</u>	<u>\$ 4,499,206</u>

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

(17) Pensions

Defined contribution pension plan

- A. Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company’s mainland China subsidiary, Hoyun International Leasing Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The average contribution percentage for the years ended December 31, 2023 and 2022 was both 15%. Other than the monthly contributions, the Group has no further obligations.
- C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were \$155,616, and \$124,748, respectively.

(18) Share-based payments

- A. For the years ended December 31, 2023 and 2022, the Group’s share-based payment arrangement was as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2023.8.7	195 thousand shares	NA	Vested immediately
Cash capital increase reserved for employee preemption	2022.8.4	5,000 thousand shares	NA	Vested immediately

VI. Finance Overview

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	2023.8.7	\$104.63	\$ 100	5.68	0.041	0.8098	\$ 4.66
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, 2023	Year ended December 31, 2022
Equity-settled	\$ 908	\$ 10,150

(19) Share capital

- A. As of December 31, 2023 and 2022, the Company's authorized capital were both \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock. The Company's issued and outstanding capital stock amounted to 666,500 and 565,000 thousand shares, with par value of NT\$10 per share, respectively. All proceeds from shares issued have been collected.
- B. On May 31, 2023, the Company, through a resolution of the shareholders' meeting, decided to execute a capital increase for the issuance of new shares based on undistributed earnings of \$515,000. This involved issuing 51,500 thousand new shares with a par value of \$10 per share. The capital increase was approved by the Financial Supervisory Commission and became effective on July 21, 2023.
- C. On June 23, 2022, the Board of Directors resolved to increase the Company's capital in the amount of \$5,000,000 by issuing 50 million shares of Class A preference shares with a par value of \$10 (in dollars) per share issued at \$100 (in dollars) per share. The capital injection was approved by the FSC on August 10, 2022, and the effective date was set on September 21, 2022. The rights and obligations of these outstanding preference shares are as follows:
- (a) Expiration date: The Company's Class A preference shares are perpetual but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue

price. The outstanding Class A preference shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends.

- (b) Dividends: Dividends are calculated at 4.2% per annum, consisting of five-year IRS rate of 1.1175% on pricing effective date (August 19, 2022) and specific markup of 3.0825%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages "PYTWD01" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- (c) Dividend distribution: Dividends are distributed once per year in the form of cash. The effective date for distributing previous year's distributable dividends will be set by the Board of Directors. Dividend distributions in the issuance and redemption years are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then the remaining amount shall be set aside as legal reserve, and shall be set aside as special reserve as required by the regulations when necessary. The remainder, if any in the current year, can be distributed as dividends of Class A preference shares in first priority.

The Company has discretion in dividend distribution of Class A preference shares. The Company could choose not to distribute dividends of preferred shares, which would not lead to default if the Company has no or has insufficient current year's earnings for distribution. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not become deferred payments in future years when the Company has earnings.

- (d) Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preference shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
- (e) Residual property distribution: The shareholders of Class A preference shares have priority over shareholders of common stocks in distributing the Company's residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preference shares issued and the issue price when distributing.
- (f) Right to vote and be elected: The shareholders of Class A preference shares have no right to vote and be elected in the shareholders' meeting of the Company but have the right to vote

VI. Finance Overview

in the shareholders' meeting for shareholders of preference shares and shareholders' meeting regarding to rights and obligations of shareholders of 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.
- D. On May 4, 2023, 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 B 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 July 19, 2023, and the effective date was set on August 29, 2023. The rights and obligations of these outstanding preference shares are as follows:
- (a) Expiration date: The Company's Class B 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 B 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 4.5% per annum, consisting of five-year IRS rate of 1.4325% on pricing effective date (July 28, 2023) and specific markup of 3.0675%, 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 B preference shares in first priority.

VI. Finance Overview

The Company has discretion in dividend distribution of Class B 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 B 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 B 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 B 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 preference shares and shareholders' meeting regarding to rights and obligations of shareholders of preference shares.
- (g) Conversion to common shares: Class B preference shares could not be converted to common shares. The stockholders of Class B preference shares cannot request the Company to retire the stocks they hold.
- (h) The preemptive rights for shareholders of Class B 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

VI. Finance Overview

the remaining earnings, if any, shall be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends to be distributed to the shareholders shall account for at least 50% of the remaining earnings, and cash dividends shall account for at least 10% of the total dividends distributed.

- B. The Board of Directors can distribute all or part of the distributable legal reserve, capital surplus, dividends or bonus in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and reported to the shareholders. The aforesaid requirement on obtaining resolution from the shareholders is not applicable.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090150022, dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On May 31, 2023 and June 23, 2022, the shareholders resolved the distribution of earnings for the years of 2022 and 2021 as follows:

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

VI. Finance Overview

F. On March 12, 2024, the Board of Directors resolved the distribution of earnings of 2023 was as follows:

	<u>Year ended December 31, 2023</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 368,981	
Special reserve	91,163	
Dividend on preferred stock, Class A	210,000	\$ 4.20
Dividend on preferred stock, Class B	77,055	1.54
Cash dividend on common stock	1,699,501	3.00
Stock dividend on common stock	566,501	1.00
	<u>\$ 3,013,201</u>	

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(22) Operating revenue

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 3,022,290	\$ 2,205,957
Other operating revenue		
Interest income	17,513,683	13,561,273
Revenue from operating leases	4,833,219	4,297,082
Revenue from finance leases	3,291,243	2,722,938
	<u>\$ 28,660,435</u>	<u>\$ 22,787,250</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, 2023</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 2,774,904	\$ 247,386	\$ 3,022,290
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 2,774,904</u>	<u>\$ 247,386</u>	<u>\$ 3,022,290</u>
Timing of revenue recognition			
At a point in time	\$ 2,368,903	\$ 247,386	\$ 2,616,289
Over time	406,001	-	406,001
	<u>\$ 2,774,904</u>	<u>\$ 247,386</u>	<u>\$ 3,022,290</u>

VI. Finance Overview

<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	<u>298,644</u>	<u>-</u>	<u>298,644</u>
	<u>\$ 1,994,379</u>	<u>\$ 211,578</u>	<u>\$ 2,205,957</u>

(23) Operating costs

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest costs	\$ 4,516,555	\$ 2,568,368
Rental costs	3,494,867	3,167,397
Cost of sales	3,366,631	1,949,088
Service costs	434,322	475,794
Other costs	<u>154,962</u>	<u>13,668</u>
	<u>\$ 11,967,337</u>	<u>\$ 8,174,315</u>

(24) Interest income

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 23,107	\$ 12,938
Interest income from short-term notes payable	2,774	9,238
Other interest income	<u>1,870</u>	<u>502</u>
	<u>\$ 27,751</u>	<u>\$ 22,678</u>

(25) Other income

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income	\$ 12,274	\$ 10,521
Other income - others	<u>322,051</u>	<u>605,115</u>
	<u>\$ 334,325</u>	<u>\$ 615,636</u>

VI. Finance Overview

(26) Other gains and losses

	Year ended Decemeber 31,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 6,313	\$ 3,264
Foreign exchange losses	(18,236)	(3,606)
(Losses) gains on disposals of property, plant and equipment	(112)	3,236
Others	(10,719)	(11,539)
	<u>(\$ 22,754)</u>	<u>(\$ 8,645)</u>

(27) Finance costs

	Year ended Decemeber 31,	
	2023	2022
Finance expense, others	\$ 6,375	\$ 4,059

(28) Expenses by nature

	Year ended Decemeber 31,	
	2023	2022
Employee benefit expense	\$ 3,460,876	\$ 2,818,624
Depreciation charges on right-of-use assets	\$ 147,677	\$ 149,792
Depreciation charges on property, plant and equipment	\$ 1,335,478	\$ 1,283,408
Depreciation charges on investment property	\$ 2,159	\$ 2,159

(29) Employee benefit expense

	Year ended Decemeber 31,	
	2023	2022
Wages and salaries	\$ 2,859,319	\$ 2,341,843
Labor and health insurance fees	254,767	199,359
Pension costs	155,616	124,748
Directors' and supervisors' remuneration	8,172	6,701
Other personnel expenses	183,002	145,973
	<u>\$ 3,460,876</u>	<u>\$ 2,818,624</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.

VI. Finance Overview

B. For the years ended December 31, 2023 and 2022, employees' remuneration were accrued at \$48,460 and \$46,480, 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 years ended December 31, 2023.

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

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

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the period	\$ 1,417,939	\$ 1,311,625
Tax on undistributed surplus earnings	50,915	29,212
Prior year income tax overestimation	(1,329)	(1,675)
Total current tax	<u>1,467,525</u>	<u>1,339,162</u>
Deferred tax:		
Origination and reversal of temporary differences	(28,470)	(52,228)
Total deferred tax	(28,470)	(52,228)
Income tax expense	<u>\$ 1,439,055</u>	<u>\$ 1,286,934</u>

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

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash flow hedges	(\$ 36,279)	\$ 57,232

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 1,246,586	\$ 1,210,979
Effect from items adjusted based on other regulations	142,883	48,418
Tax on undistributed surplus earnings	50,915	29,212
Prior year income tax over estimation	(1,329)	(1,675)
Income tax expense	<u>\$ 1,439,055</u>	<u>\$ 1,286,934</u>

VI. Finance Overview

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

(31) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 3,689,812		
Less: Dividend on preferred stock	(58,685)		
Profit attributable to ordinary shareholders of the parent	<u>\$ 3,631,127</u>	<u>566,500</u>	<u>\$ 6.41</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,631,127	566,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	453	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,631,127</u>	<u>566,953</u>	<u>\$ 6.40</u>
	Year ended December 31, 2022		
	Amount after tax	Retrospective adjusted weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,623,387	566,500	\$ 6.40
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,623,387	566,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	572	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,623,387</u>	<u>567,072</u>	<u>\$ 6.39</u>

VI. Finance Overview

(32) Business combinations

Billion Sunpower Co., Ltd.

- A. On August 8, 2023, the Group acquired 100% of the share capital of Billion Sunpower Co., Ltd. for \$163,017 and obtained control over the company. The company is engaged in solar energy business in Taiwan. As a result of the acquisition, the Group is expected to increase its presence in these markets.
- B. The following table summarises the consideration paid for Billion Sunpower 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>August 8, 2023</u>
Purchase consideration	
Cash paid	\$ 163,017
Non-controlling interest	-
	<u>\$ 163,017</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	3,250
Other receivables	408
Inventories	117
Prepayments	148
Other current assets	1,105
Non-current financial assets at amortised cost	2,850
Property, plant and equipment	173,366
Right-of-use assets	7,236
Other non-current assets	770
Intangible assets	54,221
Short-term loans	(7,340)
Short-term notes payable	(7,988)
Accounts payable	(77)
Other payables	(7,007)
Current income tax liabilities	(684)
Long-term liabilities, current portion	(5,587)
Other current liabilities	(249)
Long-term loans	(33,037)
Lease liabilities-non-current	(7,489)
Deferred income tax liabilities	(13,904)
Total identifiable net assets	<u>\$ 160,109</u>
Goodwill	<u>\$ 2,908</u>

- C. The operating revenue included in the consolidated statement of comprehensive income since August 8, 2023 contributed by Billion Sunpower Co., Ltd. was \$17,207. Billion Sunpower Co., Ltd. also contributed profit before income tax of \$8,240 over the same period. Had the company

VI. Finance Overview

been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of \$28,672,597 and profit before income tax of \$5,534,626.

Cheng Yo Technology Co., Ltd.

- D. On September 7, 2023, the Group acquired 100% of the share capital of Cheng Yo Technology Co., Ltd. for \$474,783 and obtained the control over the company. The company is engaged in solar energy business in Taiwan. As a result of the acquisition, the Group is expected to increase its presence in these markets.
- E. The following table summarises the consideration paid for Cheng Yo Technology 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>September 7, 2023</u>
Purchase consideration	
Cash paid	\$ 474,783
Non-controlling interest	-
	<u>\$ 474,783</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	55,323
Accounts receivables	12,097
Other receivables	10,000
Prepayments	2,108
Other current assets	11
Property, plant and equipment	538,562
Other non-current assets	9,359
Intangible assets	344,728
Accounts payable	(33)
Other payables	(8,672)
Current income tax liabilities	(2,122)
Other current liabilities	(507)
Long-term loans	(450,088)
Other non-current liabilities	(1,976)
Deferred income tax liabilities	(87,906)
Total identifiable net assets	<u>\$ 420,884</u>
Goodwill	<u>\$ 53,899</u>

- F. The operating revenue included in the consolidated statement of comprehensive income since September 7, 2023 contributed by Cheng Yo Technology Co., Ltd. was \$40,122. Cheng Yo Technology Co., Ltd. also contributed profit before income tax of \$14,395 over the same period. Had the company been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of \$28,705,314 and profit before income tax of \$5,545,512.

VI. Finance Overview

(33) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 3,294,153	\$ 2,651,956
Add: Opening balance of payable on equipment (Shown as 'Accounts payable')	154,579	-
Less: Ending balance of payable on equipment (Shown as 'Accounts payable')	(174,800)	(154,579)
Cash paid during the period	<u>\$ 3,273,932</u>	<u>\$ 2,497,377</u>

(34) Changes in liabilities from financing activities

	2023								
	Short-term loans	Short-term notes and bills payable	Bonds payable	Long-term loans	Guarantee deposits received	Other payables	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 83,933,343	\$ 104,986,596	\$ 22,200,000	\$ 262,723	\$ 4,499,206	\$ 441,394	\$ 370,679	\$ -	\$ 216,693,941
Changes in cash flow from financing activities	8,839,685	28,530,012	9,000,000	643,604	160,596	423,085	(149,623)	(1,861,186)	45,586,173
Impact of changes in foreign exchange rate	46,664	-	-	(3,060)	-	-	(1,204)	-	42,400
Others	(199,927)	7,709	-	628,148	802	-	278,514	1,861,186	2,576,432
At December 31	<u>\$ 92,619,765</u>	<u>\$ 133,524,317</u>	<u>\$ 31,200,000</u>	<u>\$ 1,531,415</u>	<u>\$ 4,660,604</u>	<u>\$ 864,479</u>	<u>\$ 498,366</u>	<u>\$ -</u>	<u>\$ 264,898,946</u>
	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
Impact 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	<u>\$ 83,933,343</u>	<u>\$ 104,986,596</u>	<u>\$ 22,200,000</u>	<u>\$ 262,723</u>	<u>\$ 4,499,206</u>	<u>\$ 441,394</u>	<u>\$ 370,679</u>	<u>\$ -</u>	<u>\$ 216,693,941</u>

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.

VI. Finance Overview

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Ho Tai Motor Co., Ltd.	The ultimate parent
Hozan Investment Co., Ltd.	Parent
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Other related parties
Tau Miao Motor Co., Ltd. (Tau Miao)	Other related parties
Kuotu Motor Co., Ltd. (Kuotu)	Other related parties
Central Motor Co., Ltd. (Central)	Other related parties
Nan Du Motor Co., Ltd.	Other related parties
Kau Du Automobile Co., Ltd.	Other related parties
Ho Yu Investment Co., Ltd. (Ho Yu)	Other related parties
Hotai Leasing Co., Ltd. (Hotai Leasing)	Other related parties
Toyota Material Handling Taiwan Ltd.	Other related parties
Hotong Motor Investment Co., Ltd. (Hotong)	Other related parties
Lang Yang Toyota Motor Co., Ltd.	Other related parties
Eastern Motor Co., Ltd.	Other related parties
Chang Yuan Motor Co., Ltd.	Other related parties
Horung Motors Co., Ltd.	Other related parties
Hohung Motors Co., Ltd.	Other related parties
Zhong Cheng Motor Co., Ltd.	Other related parties
Carmax Co., Ltd.	Other related parties
Hotai Innovation Marketing Co., Ltd.	Other related parties
Ho An Insurance Agency Co., Ltd.	Other related parties
Ho Chuang Insurance Agency Co., Ltd.	Other related parties
Hotai Insurance Co., Ltd.	Other related parties
Ho Tai Development Co., Ltd.	Other related parties
Ho Tai Service & Marketing Co., Ltd.	Other related parties
Hotai Connected Co., Ltd. (Hotai Connected)	Other related parties
Smart Design Technology Co., Ltd.	Other related parties
Yokohama Tire Taiwan Co., Ltd.	Other related parties
Wang Fu Co., Ltd.	Other related parties
Kao Jin Co., Ltd.	Other related parties
Tung Yu Motor Co., Ltd.	Other related parties
Ho Cheng Auto Parts Co., Ltd.	Other related parties
Innovation Auto Parts Co., Ltd.	Other related parties
Zhongyang Motor Co., Ltd.	Other related parties
Triple S Digital Co., Ltd.	Other related parties
Hotai AutoBody Manufacturing Co., Ltd.	Other related parties
Kuozui Motors, Ltd.	Other related parties
Hotai Mobility Service Co., Ltd.	Other related parties
Quan An Transportation Co., Ltd.	Other related parties
Yu Cheng Transportation Co., Ltd.	Other related parties

VI. Finance Overview

Names of related parties	Relationship with the Group
Hozao Enterprise Co., Ltd.	Other related parties
Ho Young Travel Agency Co., Ltd.	Other related parties
Zheng-Ren Energy Co., Ltd. (Zheng-Ren)	Other related parties
Gochabar Co., Ltd. (Gochabar)	Other related parties
Formosa Container Transportation Company Limited	Other related parties
Shi-ho Screw Industrial Co., Ltd.	Other related parties
Shanghai Hozhan Motor Service Co., Ltd. (Shanghai Hozhan)	Other related parties
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Other related parties
Shanghai Heling Motor Service Co., Ltd.	Other related parties
Shanghai Ho-mian Motor Technology Co., Ltd. (Shanghai Ho-mian)	Other related parties
Shanghai Hoyu Motor Service 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 Ho-yu Motor Sales & Service Co., Ltd.	Other related parties
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Other related parties
Chongqing Yurun Toyota Automobile Service Co., Ltd.	Other related parties
Nanjing HoZhan Motor Sales and Service Co., Ltd. (Nanjing HoZhan)	Other related parties
Guangzhou Gac Changho Autotech Corporation	Other related parties
San Xing (Shanghai) Business Management Consulting Co., Ltd.	Other related parties

(3) Significant related party transactions and balances

A. Revenue:

(a) Compensation of installment sale price spread

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 87,798	\$ 196,694
- Other related parties	213,829	262,830
	<u>\$ 301,627</u>	<u>\$ 459,524</u>

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

(b) Rental assets income

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 2,251	\$ 1,172
- Other related parties	116,673	119,521
	<u>\$ 118,924</u>	<u>\$ 120,693</u>

VI. Finance Overview

(c) Sales revenue

	Year ended Decemeber 31,	
	2023	2022
- Other related parties	\$ 50,538	\$ 38,624

(d) Fee income

	Years ended December 31,	
	2023	2022
- Other related parties	\$ 2,213	\$ 20,240

(e) Other revenue

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 11,641	\$ 10,176
- Other related parties	11,511	11,936
	\$ 23,152	\$ 22,112

B. Expenses

(a) Cost of rental sales

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 178	\$ 733
- Other related parties	513,574	514,679
	\$ 513,752	\$ 515,412

(b) Rent expense

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 1,386	\$ 891
- Other related parties	36,879	33,579
	\$ 38,265	\$ 34,470

(c) Administrative service fee

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 19,764	\$ 15,956
- Other related parties	21,363	22,342
	\$ 41,127	\$ 38,298

VI. Finance Overview

(d) Commission expense

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 8,787	\$ 25,583
- Other related parties	298,047	333,356
	<u>\$ 306,834</u>	<u>\$ 358,939</u>

(e) Vehicle auction service fee

	Year ended Decemeber 31,	
	2023	2022
- Other related parties		
Hotai Leasing	14,378	8,292
Others	-	3
	<u>\$ 14,378</u>	<u>\$ 8,295</u>

(f) Advertisement expense

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 405	\$ 1
- Other related parties		
Hotai Connected	36,634	45,692
Others	676	7
	<u>\$ 37,715</u>	<u>\$ 45,700</u>

(g) Chattel custody service fee

	Year ended Decemeber 31,	
	2023	2022
- Other related parties	<u>\$ 41,585</u>	<u>\$ 41,670</u>

(h) Others

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 4,705	\$ 1,919
- Other related parties		
Kuotu	6,947,894	6,400,391
Others	13,549,448	13,273,806
	<u>\$ 20,502,047</u>	<u>\$ 19,676,116</u>

As described in Note 4(30), installment sales of the Company are intended primarily to earn interest revenue. Sales revenue and the cost of goods sold from installment sales are presented in net amount and movable properties arising from transaction are all pledged as collateral. The credit terms to related parties were the same as those to third parties.

VI. Finance Overview

C. Receivables from (payables to) related parties:

(a) Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- The ultimate parent	\$ 17,657	\$ 32,800
- Other related parties	50,147	52,399
	<u>\$ 67,804</u>	<u>\$ 85,199</u>

(b) Accounts payable:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- Other related parties		
Kuotu	\$ 147,794	\$ 90,248
Others	75,720	68,210
	<u>\$ 223,514</u>	<u>\$ 158,458</u>

(c) Other payables:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- The ultimate parent	\$ 3,098	\$ 875
- Other related parties	18,767	91,771
	<u>\$ 21,865</u>	<u>\$ 92,646</u>

(d) Prepayments:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- Other related parties	\$ 21,737	\$ 13,382

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

(a) Lease:

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
- The ultimate parent	\$ 285,804	\$ 47,702
- Other related parties		
Kuotu	262,893	354,993
Central Motor	239,762	316,621
Taipei Motor	234,681	253,062
Tau Miao	221,639	88,443
Others	343,767	433,296
	<u>\$ 1,588,546</u>	<u>\$ 1,494,117</u>

VI. Finance Overview

(b) Owner-occupied:

	Year ended Decemeber 31,	
	2023	2022
- Other related parties		
Gochabar	\$ 11,801	\$ -
Shanghai Hozhan	5,817	3,634
Nanjing Hozhan	5,387	4,882
Tianjin Hozhan	3,952	2,297
Others	2,363	875
	<u>\$ 29,320</u>	<u>\$ 11,688</u>

E. Property transactions – Acquisition of financial assets

	Item recognised	Shares traded	Transaction target	Year ended Decemeber 31, 2023
				Consideration
- Other related parties				
Zheng-Ren	Investment accounted using the equity method	5,488,000	Shares	<u>\$ 54,880</u>

F. Lease transactions – lessee

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

(b) Acquisition of right-of-use asset

	Year ended Decemeber 31,	
	2023	2022
- The ultimate parent	\$ 11,674	\$ -
- Other related parties		
Shanghai Ho-mian	54,428	-
Others	-	623
	<u>\$ 66,102</u>	<u>\$ 623</u>

(c) Lease liabilities:

	December 31, 2023	December 31, 2022
- The ultimate parent	\$ 11,674	\$ 3,798
- Other related parties		
Shanghai Ho-mian	42,615	-
Ho Yu	14,838	17,956
Others	227	434
	<u>\$ 69,354</u>	<u>\$ 22,188</u>

VI. Finance Overview

G. Loans from related parties:

Loans from related parties

Outstanding balance:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- Other related parties		
Hotong	\$ <u>864,479</u>	\$ <u>441,394</u>

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

(4) Key management compensation

	<u>Year ended Decemeber 31,</u>	
	<u>2023</u>	<u>2022</u>
Wages, salaries and others short-term employee benefits	\$ 86,375	\$ 70,177
Post-employment benefits	791	718
	<u>\$ 87,166</u>	<u>\$ 70,895</u>

8. PLEGGED ASSETS

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Purpose</u>
Pledged assets (Note)			
- Pledged time deposits	\$ 216,332	\$ 108,487	Guarantee deposit for credit line on gasoline purchases, pledged to banks as collateral for acceptance bill and lease deposit
- Pledged savings account	360,419	346,859	Pledged to banks as collateral for short-term borrowings, commercial paper payable, acceptance bill and performance guarantee
	<u>\$ 576,751</u>	<u>\$ 455,346</u>	
Notes and accounts receivable, net			
- Notes receivable from installment sales	\$ 6,190,191	\$ 5,185,894	Pledged to banks as collateral for short-term borrowings and commercial paper payable
- Notes receivable from leases	50,288	66,561	"
- Lease payments receivable	6,414,435	4,166,761	"
	<u>\$ 12,654,914</u>	<u>\$ 9,419,216</u>	
Property, plant and equipment	\$ 1,033,383	\$ 181,803	Pledged to banks as collateral for long-term borrowings

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

VI. Finance Overview

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) Please refer to Note 6(9) for the operating leases agreement.
- (2) As of December 31, 2023, the Group had entered into contracts for the purchase and installation of equipment and the purchase of the real estate but not yet acquired amounting to \$2,049,205 and \$784,030, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Please refer to Note 6(20) for the appropriation of 2023 earnings.
- (2) On March 12, 2024, the Board of Directors has resolved to delegate the Chairman to dispose of land and buildings located in Kaohsiung to a related party, Kau Du Automobile Co., Ltd., for a total amount not less than \$700,000.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and to support operations and maximize returns for shareholders.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Equity instrument mandatorily measured at fair value through profit or loss	\$ -	\$ 300,000
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 19,656	\$ 3,519
Financial assets at amortized cost/		
Loans and receivables		
Cash and cash equivalents	\$ 2,878,184	\$ 2,382,775
Notes receivable	11,912,779	9,340,046
Accounts receivable	261,555,829	216,928,982
Other receivables	78,696	82,568
Guarantee deposits paid	283,421	193,955
Other financial assets	576,751	455,346
Long-term notes and accounts receivable	13,491,252	8,463,807
	<u>\$ 290,776,912</u>	<u>\$ 237,847,479</u>
Hedging financial assets	<u>\$ 570,885</u>	<u>\$ 504,827</u>

VI. Finance Overview

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ 92,619,765	\$ 83,933,343
Short-term notes and bills payable	133,524,317	104,986,596
Notes payable	1,522,704	762,215
Accounts payable (including related parties)	707,786	514,386
Other payables	3,390,682	3,165,332
Bonds payable	31,200,000	22,200,000
Long-term loans (including current portion)	1,531,415	262,723
Guarantee deposits received	4,660,604	4,499,206
Financial guarantee liabilities	27,486	39,598
	<u>\$ 269,184,759</u>	<u>\$ 220,363,399</u>
Lease liabilities	<u>\$ 498,366</u>	<u>\$ 370,679</u>
Hedging financial liabilities	<u>\$ 1,087,983</u>	<u>\$ 586,800</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as cross-currency swap are used to hedge certain exchange rate risk, and variable future cash flows are transferred to fix. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by each assigned department of companies within the Group under policies approved by the Board of Directors. The finance departments identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the RMB. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

VI. Finance Overview

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group entered into cross-currency swaps with financial institutions to hedge the exchange rate risk arising from loans, and are shown as financial assets and liabilities for hedging. Please refer to Note 6(3).
- iv. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NTD). Considering the cross-currency swap transactions the Group is engaged in, the Group does not have any under material foreign exchange risk.
- 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, 2023 and 2022, amounted to (\$18,236) and (\$3,606), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. 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.

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, 2023 and 2022 would have increased/decreased by \$637,348 and \$395,073, 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, 2023 and 2022, the outstanding amount of the customers' mortgaged loans with the banks were \$2,380,898 and \$3,779,139, respectively; and the amount of notes receivable received by the Group from the customers were \$26,667 and \$71,213, 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 60 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 or the borrower will enter bankruptcy or other financial reorganization due to their financial difficulties;

VI. Finance Overview

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments; and
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- viii. The Group classifies customers' installment accounts and notes receivable and lease payments and notes receivable in accordance with situation of default. The Group uses deferral days and case assessment 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. For accounts receivables and notes payable, the credit rating levels are as follows:

	12 months	Lifetime			Total
		Significant increase in credit risk	Impairment of credit	Simplified approach	
December 31, 2023					
Neither past due nor impaired	\$ 329,951,950	\$ -	\$ -	\$ 209,093	\$ 330,161,043
Past due or case assessment	-	1,383,387	2,476,960	-	3,860,347
	<u>\$ 329,951,950</u>	<u>\$ 1,383,387</u>	<u>\$ 2,476,960</u>	<u>\$ 209,093</u>	<u>\$ 334,021,390</u>
December 31, 2022					
Neither past due nor impaired	\$ 268,516,629	\$ -	\$ -	\$ 88,086	\$ 268,604,715
Past due or case assessment	-	794,048	1,558,298	-	2,352,346
	<u>\$ 268,516,629</u>	<u>\$ 794,048</u>	<u>\$ 1,558,298</u>	<u>\$ 88,086</u>	<u>\$ 270,957,061</u>

- xi. The Group used historical expense and the forward-looking information, such as forecastability of future economic environment to assess the default possibility. For the year ended December 31, 2023 and 2022, the movements of the loss allowance are as follows:

VI. Finance Overview

	Year ended Decemeber 31, 2023			
	Lifetime			
	12 months	Significant	Impairment	Total
		increase in	of credit	
	credit risk			
At January 1	\$ 2,989,387	\$ 349,790	\$ 1,369,707	\$ 4,708,884
Transfer and measurement stages (	68,442)	(142,330)	210,772	-
Provision for impairment	468,507	314,368	3,605,436	4,388,311
Write-offs	-	-	(3,668,091)	(3,668,091)
Effect of foreign exchange	(15,780)	(1,659)	(7,755)	(25,194)
At December 31	<u>\$ 3,373,672</u>	<u>\$ 520,169</u>	<u>\$ 1,510,069</u>	<u>\$ 5,403,910</u>
	Year ended Decemeber 31, 2022			
	Lifetime			
	12 months	Significant	Impairment of	Total
		increase in	credit	
	credit risk			
At January 1	\$ 2,635,251	\$ 211,861	\$ 875,094	\$ 3,722,206
Transfer and measurement stages (	92,889)	(63,903)	156,792	-
Provision for impairment	428,876	201,263	2,033,410	2,663,549
Write-offs	-	-	(1,699,792)	(1,699,792)
Effect of foreign exchange	16,724	569	5,628	22,921
At December 31	<u>\$ 2,987,962</u>	<u>\$ 349,790</u>	<u>\$ 1,371,132</u>	<u>\$ 4,708,884</u>

For the years ended December 31, 2023 and 2022, gains on reversal of bad debts amounted to \$983,936 and \$821,467, respectively, and recognized as deduction on expected credit impairment loss.

(c) Liquidity risk

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

VI. Finance Overview

<u>December 31, 2023</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 71,216,266	\$ 15,114,789	\$ 7,850,140
Short-term notes and bills payable	110,115,977	16,260,987	8,260,337
Notes payable	1,522,704	-	-
Accounts payable (including related parties)	707,786	-	-
Other payables	3,390,682	-	-
Bonds payable	343,500	22,211,960	9,347,534
Lease liabilities	149,969	120,034	263,418
Long-term loans	619,985	98,865	882,622
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 1,024,638	\$ 48,788	\$ 14,557
<u>December 31,2022</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 60,291,311	\$ 12,393,403	\$ 12,682,205
Short-term notes and bills payable	81,583,817	11,228,520	13,088,357
Notes payable	762,215	-	-
Accounts payable (including related parties)	514,386	-	-
Other payables	3,169,687	-	-
Bonds payable	209,000	209,000	22,303,427
Lease liabilities	136,408	110,838	200,248
Long-term loans	15,948	14,429	284,401
<u>Derivative financial liabilities:</u>			
Cross-currency swap	\$ 174,433	\$ 412,367	\$ -

(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.

VI. Finance Overview

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, 2023 and 2022 is as follows:

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

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Hedging financial assets	\$ -	\$ 570,885	\$ -	\$ 570,885
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	19,656	19,656
Total	<u>\$ -</u>	<u>\$ 570,885</u>	<u>\$ 19,656</u>	<u>\$ 590,541</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	\$ -	\$ 1,087,983	\$ -	\$ 1,087,983
December 31, 2022				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- beneficiary certificates	\$ 300,000	\$ -	\$ -	\$ 300,000
Hedging financial assets	-	504,827	-	504,827
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	3,519	3,519
Total	<u>\$ 300,000</u>	<u>\$ 504,827</u>	<u>\$ 3,519</u>	<u>\$ 808,346</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	\$ -	\$ 586,800	\$ -	\$ 586,800

VI. Finance Overview

- (b) The methods and assumptions the Group 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 consolidated 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 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.
 - iii. 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, 2023 and 2022, there was no transfer between Level 1, Level 2 and Level 3.
- E. The financial department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- F. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
- equity instrument:					
Unlisted shares	\$ 19,656	Net worth method, Discounted cash flow	Net asset value, long-term net operating profit before income tax		- The higher the net asset value and long-term net operating profit before income tax, the higher the fair value

VI. Finance Overview

	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

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

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

December 31, 2023	Book value	Within 12 months	Over 12 months
<u>Assets</u>			
Cash and cash equivalents	\$ 2,878,184	\$ 2,878,184	\$ -
Hedging financial assets - current	570,885	477,832	93,053
Accounts and notes receivable, net	273,468,608	100,295,043	173,173,565
Other receivables	78,696	78,696	-
Inventories	4,962	4,962	-
Prepayments	6,747,521	5,146,271	1,601,250
Other current financial assets	506,020	506,020	-
<u>Liabilities</u>			
Short-term loans	\$ 92,619,765	\$ 70,073,763	\$ 22,546,002
Short-term notes and bills payable	133,524,317	109,497,790	24,026,527
Hedging financial liabilities-current	1,087,983	1,024,638	63,345
Notes payable	1,522,704	1,522,704	-
Accounts payable (including related parties)	707,786	707,786	-
Other payables	3,390,682	3,390,682	-
Current income tax liabilities	854,078	854,078	-
Lease liabilities-current	144,040	144,040	-
Bonds payable	31,200,000	-	31,200,000
Financial guarantee liabilities-current	27,486	27,486	-
Guarantee deposits received-current	4,404,620	1,971,759	2,432,861
Other current liabilities, others	46,109	46,109	-

VI. Finance Overview

December 31, 2022	Book value	Within 12 months	Over 12 months
<u>Assets</u>			
Cash and cash equivalents	\$ 2,382,775	\$ 2,382,775	\$ -
Hedging financial assets - current	504,827	182,211	322,616
Accounts and notes receivable, net	226,269,028	83,368,938	142,900,090
Other receivables	82,568	82,568	-
Inventories	5,979	5,979	-
Prepayments	6,886,170	5,285,964	1,600,206
Other current financial assets	373,119	373,119	-
<u>Liabilities</u>			
Short-term loans	\$ 83,933,343	\$ 59,400,123	\$ 24,533,220
Short-term notes and bills payable	104,986,596	81,058,607	23,927,989
Hedging financial liabilities-current	586,800	174,433	412,367
Notes payable	762,215	762,215	-
Accounts payable (including related parties)	514,386	514,386	-
Other payables	3,165,332	3,165,332	-
Current income tax liabilities	724,843	724,843	-
Lease liabilities-current	114,848	114,848	-
Bonds payable	22,200,000	-	22,200,000
Financial guarantee liabilities-current	39,598	39,598	-
Guarantee deposits received-current	4,275,142	1,752,265	2,522,877
Other current liabilities, others	65,667	65,667	-

13. SUPPLEMENTARY DISCLOSURES

The information of significant transactions for the year ended December 31, 2023, is as follows:

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

VI. Finance Overview

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

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

Name of company holding the derivative financial instrument	Derivative financial Instrument	Contract amount (In thousands)	Expiry date	Book value	Fair value
Hotai Finance Co., Ltd.	Cross-currency swap	JPY 66,100,000	2024/9/9~ 2025/5/2	(\$ 927,803)	(\$ 927,803)
Hotai Finance Co., Ltd.	Cross-currency swap	EUR 75,000	2024/9/12	256,676	256,676
Hotai Finance Co., Ltd.	Cross-currency swap	USD 30,000	2024/9/6	(30,648)	(30,648)
Hoyun International Leasing Co., Ltd.	Cross-currency swap	USD 62,750	2024/8/30~ 2025/1/13	190,055	190,055
Hoyun International Leasing Co., Ltd.	Cross-currency swap	JPY 4,000,000	2026/10/23	(14,557)	(14,557)
Hoyun(Shanghai) Commercial Factoring Co., Ltd.	Cross-currency swap	USD 4,800	2024/10/18	9,179	9,179

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

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

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

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

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

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

(f) Other transactions having significant to profit or loss or financial status, i.e. services rendering or receiving: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

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

B. China: leasing of various vehicles and equipment.

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, 2023			
	Taiwan	China	Reconciliation and elimination	Total
Revenue from external customers				
Revenue from installment business	\$ 19,422,438	\$ 84,932	\$ -	\$ 19,507,370
Revenue from rental business	4,723,355	4,213,266	-	8,936,621
Revenue from other business	216,444	-	-	216,444
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 24,362,237</u>	<u>\$ 4,298,198</u>	<u>\$ -</u>	<u>\$ 28,660,435</u>
Segment income	<u>\$ 4,846,809</u>	<u>\$ 1,061,332</u>	<u>(\$ 376,930)</u>	<u>\$ 5,531,211</u>
Depreciation and amortisation	<u>\$ 999,743</u>	<u>\$ 498,039</u>	<u>\$ -</u>	<u>\$ 1,497,782</u>
Expense of income tax	<u>\$ 1,124,118</u>	<u>\$ 314,937</u>	<u>\$ -</u>	<u>\$ 1,439,055</u>
Segment assets	<u>\$ 277,489,144</u>	<u>\$ 37,488,964</u>	<u>(\$ 2,838,396)</u>	<u>\$ 312,139,712</u>
Segment liabilities	<u>\$ 240,275,252</u>	<u>\$ 31,869,622</u>	<u>\$ -</u>	<u>\$ 272,144,874</u>
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	<u>\$ 19,132,408</u>	<u>\$ 3,654,842</u>	<u>\$ -</u>	<u>\$ 22,787,250</u>
Segment income	<u>\$ 4,613,244</u>	<u>\$ 1,189,879</u>	<u>(\$ 446,605)</u>	<u>\$ 5,356,518</u>
Depreciation and amortisation	<u>\$ 938,752</u>	<u>\$ 496,607</u>	<u>\$ -</u>	<u>\$ 1,435,359</u>
Expense of income tax	<u>\$ 981,423</u>	<u>\$ 305,511</u>	<u>\$ -</u>	<u>\$ 1,286,934</u>
Segment assets	<u>\$ 228,448,119</u>	<u>\$ 29,680,869</u>	<u>(\$ 2,763,900)</u>	<u>\$ 255,365,088</u>
Segment liabilities	<u>\$ 198,263,032</u>	<u>\$ 24,209,042</u>	<u>\$ -</u>	<u>\$ 222,472,074</u>

VI. Finance Overview

(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,	
	2023	2022
Sales revenue	\$ 1,463,411	\$ 891,141
Interest revenue	17,513,683	13,561,273
Finance leasing revenue	3,291,243	2,722,938
Operating leasing revenue	4,833,219	4,297,082
Service revenue	1,339,781	1,295,591
Others revenue	219,098	19,225
	<u>\$ 28,660,435</u>	<u>\$ 22,787,250</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 24,362,237	\$ 24,041,734	\$ 19,132,408	\$ 15,285,853
China	4,298,198	2,818,947	3,654,842	2,444,393
Total	<u>\$ 28,660,435</u>	<u>\$ 26,860,681</u>	<u>\$ 22,787,250</u>	<u>\$ 17,730,246</u>

(7) Major customer information

For the years ended December 31, 2023 and 2022, 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, 2023

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, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	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	\$ -	\$ -	1.73%	Short-term financing	\$ -	Operational needs	\$ -	None	\$ -	\$ 3,609,761	\$ 7,219,522	Note 1
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Other receivables	Y	2,000,000	-	-	1.73%	Short-term financing	-	Operational needs	-	None	-	3,609,761	7,219,522	Note 1
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Other receivables	Y	864,479	864,479	259,344	3.90% ~ 4.10%	Short-term financing	-	Operational needs	-	None	-	5,619,342	11,238,684	Note 2
1	Hoyun International Leasing Co., Ltd.	Hemei International Trade (Suzhou) Co., Ltd	Other receivables	Y	221,416	216,120	4,322	3.90% ~ 4.00%	Short-term financing	-	Operational needs	-	None	-	5,619,342	11,238,684	Note 2
2	He Jun Energy Co., Ltd.	Cheng Yo Technology Co.,Ltd.	Other receivables	Y	45,000	45,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Hon Yang Energy Co., Ltd.	Other receivables	Y	20,000	20,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Other receivables	Y	10,000	10,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Other receivables	Y	30,000	30,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Other receivables	Y	10,000	10,000	3,000	2.49%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
3	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	-	-	5.00%	Short-term financing	-	Operational needs	-	None	-	302,209	604,417	Note 4
3	He Jing Co., Ltd.	B	Accounts receivable	N	30,000	30,000	26,997	5.00%	Short-term financing	-	Operational needs	-	Stock	24,000	302,209	604,417	Note 4 、 Note 5
3	He Jing Co., Ltd.	C	Accounts receivable	N	85,000	85,000	83,079	6.25% ~ 10.00%	Short-term financing	-	Operational needs	-	Real estate	68,000	302,209	604,417	Note 4
3	He Jing Co., Ltd.	D	Accounts receivable	N	70,000	70,000	64,240	6.00% ~ 10.00%	Short-term financing	-	Operational needs	-	Real estate	82,810	302,209	604,417	Note 4

VI. Finance Overview

Hotai Finance Co., Ltd.

Loans to others

Year ended December 31, 2023

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, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
												Item	Value				
3	He Jing Co., Ltd.	E	Accounts receivable	N	30,000	30,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	24,000	302,209	604,417	Note 4、 Note 5

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

Note 4: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower 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.

Note 5: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower (B and E) for working capital needs, the collaterals are shared by both parties and the collaterals are stocks with value of \$24,000 thousand.

VI. Finance Overview

Table 2

Hotai Finance Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2023

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, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Subsidiary	\$ 36,097,609	\$ 10,500,000	\$ 500,000	\$ -	\$ -	1.39%	\$ 36,097,609	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	36,097,609	2,000,000	1,500,000	500,000	-	4.16%	36,097,609	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Subsidiary of a subsidiary	36,097,609	2,223,669	2,161,198	324,797	-	5.99%	36,097,609	Y	N	Y	Note 2
0	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary of a subsidiary	36,097,609	516,390	499,317	467,403	-	1.38%	36,097,609	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 year (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	\$ 3,811	0.50%	\$ 3,811	
Hotai Finance Co., Ltd.	Ho Chuang Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	108	0.50%	108	
He Jun Energy Co., Ltd.	Perpetual New Energy Co., Ltd.	None	Investments in equity instruments designated at fair value through other comprehensive income -non-current	1,600,000	15,737	8.00%	15,737	

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, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Additions		Disposal			Balance as at December 31, 2023		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Investments accounted for using the equity method	He Jing Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	Note 1
Hotai Finance Co., Ltd.	Ly Hour Leasing PLC	Investments accounted for using the equity method	Note 2	Associate	-	-	-	-	-	-	-	-	-	-	Note 1
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Investments accounted for using the equity method	Heng Fong Energy Co., Ltd.	Associate	-	-	-	-	-	-	-	-	-	-	Note 1
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Investments accounted for using the equity method	Cheng Yo Technology Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-	Note 1
Hotai Finance Co., Ltd.	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	113,615,255	1,900,000	113,615,255	1,900,382	1,900,000	382	-	-	
Hotai Finance Co., Ltd.	Yuanta De- Bao Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	328,695,977	4,050,000	328,695,977	4,051,212	4,050,000	1,212	-	-	
Hotai Finance Co., Ltd.	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	109,550,678	1,700,000	109,550,678	1,700,261	1,700,000	261	-	-	
Hotai Finance Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	25,146,525	350,000	25,146,525	350,079	350,000	79	-	-	
Hotai Finance Co., Ltd.	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	130,319,999	1,900,000	130,319,999	1,900,597	1,900,000	597	-	-	

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, 2023

Table 4 Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Additions		Disposal			Balance as at December 31, 2023		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Hotai Finance Co., Ltd.	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	20,993,996	300,000	20,993,996	300,084	300,000	84	-	-	
Hotai Finance Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	68,513,726	1,100,000	68,513,726	1,100,448	1,100,000	448	-	-	
Hotai Finance Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	347,690,301	5,800,000	347,690,301	5,802,628	5,800,000	2,628	-	-	
Hotai Finance Co., Ltd.	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	97,769,367	1,200,000	97,769,367	1,200,207	1,200,000	207	-	-	
Hotai Finance Co., Ltd.	Shin Kong Chi-Shin Money-Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	31,465,341	500,000	31,465,341	500,312	500,000	312	-	-	
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	21,794,089	300,000	-	-	21,794,089	300,041	300,000	41	-	-	

Note 1: Please refer to table 7 for relevant information.

Note 2: Obtained from a natural person.

VI. Finance Overview

Table 5

Hotai Finance Co., Ltd.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship	Information on prior transaction if the counterparty is a related party				Basis or reference used in setting the price	Purpose of acquisition and utilization	Other commitments
							Owner	Relationship with the issuer	Date of transfer	Amount			
Hotai Finance Co., Ltd.	New Taipei City, Sanchong District, Zhongxing Section 28-30, 34-39, Building 5F, Units ABC, and 6F, Units ABCD	May 4, 2023	\$ 922,360	\$ 138,330	Kuo Yang Construction Co., Ltd.	Non-Related Party	-	-	-	-	Appraised by professional appraisal firm (Note 1)	Future operational requirements	None

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

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

VI. Finance Overview

Hotai Finance Co., Ltd.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
						Transaction terms		
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	1	Management fee income	\$ 33,741	Transaction by contracts		0.12%
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	1	Management fee and other income	33,406	Transaction by contracts		0.12%
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	3	Other receivables	259,344	Note 5		0.08%

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

Hotai Finance Co., Ltd.
Information on investees
Year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	\$ 1,240,482	\$ 1,240,482	40,400,000	50.50	\$ 2,838,396	\$ 746,395	\$ 376,930	Subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of passenger car	310,000	310,000	33,401,880	50.82	369,407	52,682	26,773	Subsidiary
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Taiwan	Installment sales of various vehicles	2,430,000	810,000	243,000,000	81.00	2,447,890	94,833	76,815	Subsidiary
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar energy business	800,000	800,000	80,000,000	80.00	732,635 (	55,168) (	44,134)	Subsidiary
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taiwan	Taxi dispatch service	120,000	120,000	12,000,000	27.40	79,151 (	43,790) (	11,997)	Associate
Hotai Finance Co., Ltd.	Ly Hour Leasing PLC	Cambodia	Leasing of car	521,985	-	5,600,000	35.00	547,724	34,961	2,143	Associate
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Taiwan	Energy storage business	22,000	22,000	2,200,000	100.00	20,968 (	571)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Zheng-Ren Energy Co., Ltd.	Taiwan	Solar energy business	86,730	31,850	8,673,000	35.00	72,315 (	19,769)	-	Associate
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Taiwan	Solar energy business	32,781	9,781	3,200,000	96.97	32,199	134	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar energy business	20,816	116	2,079,000	99.00	20,689 (	120)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Taiwan	Solar energy business	27,706	1,066	2,673,000	99.00	25,359 (	1,612)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Taiwan	Energy storage business	410,000	-	41,000,000	20.00	405,316 (	23,422)	-	Associate
He Jun Energy Co., Ltd.	Gochabar Co., Ltd.	Taiwan	Charging system technical service	36,000	-	3,600,000	30.00	29,787 (	20,709)	-	Associate
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Taiwan	Solar energy business	42,227	-	4,000,000	100.00	41,209	936	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Taiwan	Electricity retailing business	1,000	-	100,000	100.00	861 (	139)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Taiwan	Solar energy business	88,685	-	9,200,000	100.00	91,065 (	967)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Taiwan	Solar energy business	163,017	-	10,000,000	100.00	167,823	9,325	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Taiwan	Solar energy business	474,783	-	5,000,000	100.00	473,730	24,238	-	Subsidiary of a subsidiary
Cheng Yo Technology Co., Ltd.	Hon Yang Energy Co., Ltd.	Taiwan	Solar energy business	27,037	-	2,000,000	100.00	29,644	8,038	-	Subsidiary of a subsidiary

VI. Finance Overview

Hotai Finance Co., Ltd.
Information on investments in Mainland China
Year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	\$ 2,456,400	Note 1(2)	\$ 1,240,482	\$ -	\$ -	\$ 1,240,482	\$ 817,129	50.50	\$ 412,650	\$ 2,838,396	\$ 231,834	Note 2(2) B. , Note 4
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	216,120	Note 1(3)	-	-	-	-	24,186	50.50	12,214	146,302	-	Note 2(2) B.
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	648,359	Note 1(3)	-	-	-	-	38,845	50.50	19,617	306,680	-	Note 2(2) B.
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing of license plate	432	Note 1(3)	-	-	-	(9)	50.50	(5)	3,193	-	-	Note 2(2) B.
Hangzhou Wangyou Technology Co., Ltd.	Leasing of license plate	432	Note 1(3)	-	-	-	(2)	50.50	(1)	927	-	-	Note 2(2) B.
Hemei International Trade (Suzhou) Co., Ltd	Goods trading business	432	Note 1(3)	-	-	-	(764)	50.50	(386)	(161)	-	-	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, 2023' column:

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

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

Note 4: In July 2023, the Investment Commission approved the repatriation of the surplus USD7,550 thousand of Hoyun International Leasing Co., Ltd. an investment enterprise in the Mainland China (the time of repatriation was June 2023), which was deducted from the cumulative amount of the investment in the Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA

VI. Finance Overview

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

Table 9

Name of major shareholders	Shares	
	Number of shares held(Note)	Ownership (%) (Note)
Hozan Investment Co.,Ltd.	257,161,874	45.39
Toyota Financial Service Corporation	130,074,859	22.96

Note: Excluding preferred stock

VI. Finance Overview

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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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.

VI. Finance Overview

Key audit matters for the Company's 2023 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 accounts 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\$1,191,426 thousand and NT\$31,988 thousand, constituting 0.48% and 0.02% of the total assets as at December 31, 2023 and 2022, respectively, and the comprehensive income (loss) amounted to NT\$3,128 thousand and NT\$(975), constituting 0.09% and (0.03%) of the total comprehensive income for the years then ended, respectively.

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

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.

VI. Finance Overview

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 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.

Hsiao, Chun-Yuan

Lin, Chia-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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

HOTAI FINANCE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 289,213	-	\$ 969,999	1
1139	Hedging financial assets-current	6(2)	371,651	-	341,901	-
1150	Notes receivable, net	6(3) and 8	7,805,226	3	7,120,910	3
1170	Accounts receivable, net	6(3) and 7	218,201,023	88	186,862,870	88
1200	Other receivables		21,575	-	8,823	-
130X	Inventories		3,346	-	4,181	-
1410	Prepayments	6(4)	2,649,120	1	2,898,499	1
1476	Other current financial assets	8	105,600	-	150,400	-
11XX	Current Assets		<u>229,446,754</u>	<u>92</u>	<u>198,357,583</u>	<u>93</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income-non- current		3,919	-	3,519	-
1550	Investments accounted for using equity method	6(5)	7,015,203	3	4,725,737	2
1600	Property, plant and equipment, net	6(6)	1,409,201	1	1,198,335	1
1755	Right-of-use assets	6(7)	54,219	-	65,797	-
1760	Investment property, net	6(9)	442,210	-	445,060	-
1840	Deferred income tax assets	6(25)	355,156	-	240,565	-
1930	Long-term notes and accounts receivable	6(3)	10,791,641	4	7,271,134	4
1990	Other non-current assets, others		248,749	-	56,274	-
15XX	Non-current assets		<u>20,320,298</u>	<u>8</u>	<u>14,006,421</u>	<u>7</u>
1XXX	Total assets		<u>\$ 249,767,052</u>	<u>100</u>	<u>\$ 212,364,004</u>	<u>100</u>

(Continued)

VI. Finance Overview

HOTAI FINANCE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Liabilities						
Current liabilities						
2100	Short-term loans	6(10)	\$ 55,133,025	22	\$ 55,296,335	26
2110	Short-term notes and bills payable	6(11)	122,564,008	49	100,961,765	48
2126	Hedging financial liabilities-current	6(2)	1,073,425	1	586,800	-
2150	Notes payable		6,542	-	16,406	-
2170	Accounts payable		61,701	-	126,676	-
2180	Accounts payable - related parties	7	223,514	-	157,958	-
2200	Other payables	6(12) and 7	1,607,989	1	1,947,935	1
2230	Current income tax liabilities		716,043	-	602,572	-
2280	Lease liabilities-current	7	21,545	-	23,791	-
2320	Bonds payable	6(13)	31,200,000	13	22,200,000	11
2370	Financial guarantee liabilities-current		27,486	-	39,598	-
2399	Guarantee deposits received-current		643,331	-	515,285	-
21XX	Total current liabilities		<u>213,278,609</u>	<u>86</u>	<u>182,475,121</u>	<u>86</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	353,394	-	360,686	-
2580	Lease liabilities-non-current	7	33,669	-	43,195	-
2645	Guarantee deposits received-non-current		3,771	-	3,703	-
25XX	Total non-current liabilities		<u>390,834</u>	<u>-</u>	<u>407,584</u>	<u>-</u>
2XXX	Total Liabilities		<u>213,669,443</u>	<u>86</u>	<u>182,882,705</u>	<u>86</u>
Equity						
Share capital						
		6(16)				
3110	Common stock		5,665,004	2	5,150,004	3
3120	Preference stock		1,000,000	-	500,000	-
		6(17)	Capital surplus			
3200	Capital surplus		17,011,275	7	12,510,367	6
		6(18)	Retained earnings			
3310	Legal reserve		2,445,870	1	2,083,531	1
3320	Special reserve		23,732	-	157,171	-
3350	Unappropriated retained earnings		10,066,623	4	8,981,897	4
Other equity interest						
3400	Other equity interest		(114,895)	-	98,329	-
3XXX	Total equity		<u>36,097,609</u>	<u>14</u>	<u>29,481,299</u>	<u>14</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 249,767,052</u>	<u>100</u>	<u>\$ 212,364,004</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31				
		2023		2022		
		Amount	%	Amount	%	
4000	Operating revenue	6(19) and 7	\$ 18,578,111	100	\$ 15,235,369	100
5000	Operating costs	6(20)	(6,152,700)	(33)	(3,822,962)	(25)
5950	Gross profit		12,425,411	67	11,412,407	75
	Operating expenses	6(23)(24) and 7				
6100	Selling expenses		(4,088,001)	(22)	(4,756,459)	(31)
6200	General and administrative expenses		(1,209,818)	(7)	(1,030,414)	(7)
6450	Expected credit losses		(2,858,079)	(15)	(1,482,516)	(10)
6000	Total operating expenses		(8,155,898)	(44)	(7,269,389)	(48)
6900	Operating profit		4,269,513	23	4,143,018	27
	Non-operating income and expenses					
7100	Interest income	6(21)	7,934	-	6,903	-
7010	Other income	6(22)	90,596	1	63,244	-
7020	Other gains and losses		3,325	-	(2)	-
7050	Finance costs	6(7)	(390)	-	(569)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)				
			426,530	2	388,906	3
7000	Total non-operating income and expenses		527,995	3	458,482	3
7900	Profit before income tax		4,797,508	26	4,601,500	30
7950	Income tax expense	6(25)	(1,107,696)	(6)	(978,113)	(6)
8200	Profit for the year		\$ 3,689,812	20	\$ 3,623,387	24
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		\$ 400	-	\$ 162	-
8330	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss		(210)	-	(-)	-
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		190	-	162	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(59,449)	-	36,406	-
8368	(Losses) gains on hedging instruments	6(2)	(181,395)	(1)	286,161	2
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that will be reclassified to profit or loss		(11,849)	-	(9,997)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss	6(25)	36,279	-	(57,232)	(1)
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(213,414)	(1)	255,338	1
8300	Other comprehensive (loss) income for the year		(\$ 213,414)	(1)	\$ 255,500	1
8500	Total comprehensive income for the year		\$ 3,476,588	19	\$ 3,878,887	25
	Basic earnings per share	6(26)				
9750	Basic earnings per share		\$ 6.41		\$ 6.40	
	Diluted earnings per share	6(26)				
9850	Diluted earnings per share		\$ 6.40		\$ 6.39	

The accompanying notes are an integral part of these parent company only financial statements.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Retained earnings			Other equity interest			Total equity
		Common stock	Preference stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	(Losses) gains on hedging instruments	
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 dividend on common stock	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
Year ended December 31, 2023											
Balance at January 1, 2023		\$ 5,150,004	\$ 500,000	\$ 12,510,367	\$ 2,083,531	\$ 157,171	\$ 8,981,897	(\$ 71,283)	\$ 3,156	\$ 166,456	\$ 29,481,299
Profit for the year		-	-	-	-	-	3,689,812	-	-	-	3,689,812
Other comprehensive income (loss) for the year		-	-	-	-	-	-	(59,449)	190	(156,965)	(213,224)
Total comprehensive income (loss) for the year		-	-	-	-	-	3,689,812	(59,449)	190	(156,965)	3,476,588
Appropriation and distribution of											
Legal reserve	6(18)	-	-	-	362,339	-	(362,339)	-	-	-	-
Special reserve reserved	6(18)	-	-	-	-	(133,439)	133,439	-	-	-	-
Dividend on preferred stock	6(18)	-	-	-	-	-	(58,685)	-	-	-	(58,685)
Cash dividend on common stock	6(18)	-	-	-	-	-	(1,802,501)	-	-	-	(1,802,501)
Stock dividend on common stock	6(16)	515,000	-	-	-	-	(515,000)	-	-	-	-
Issuance of preference stock	6(16)	-	500,000	4,500,000	-	-	-	-	-	-	5,000,000
Compensation cost of share-based payments	6(15)	-	-	908	-	-	-	-	-	-	908
Balance at December 31, 2023		\$ 5,665,004	\$ 1,000,000	\$ 17,011,275	\$ 2,445,870	\$ 23,732	\$ 10,066,623	(\$ 127,732)	\$ 3,346	\$ 9,491	\$ 36,097,609

The accompanying notes are an integral part of these parent company only financial statements.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
Cash Flows From Operating Activities			
Profit before tax		\$ 4,797,508	\$ 4,601,500
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		3,841,207	2,311,719
Net gains on financial assets at fair value through profit and loss		-	(2,848)
Net losses on disposals of property, plant and equipment		97	-
Depreciation	6(23)	138,728	196,821
Reversal of impairment loss recognized on leased assets	6(6)	(2,437)	(4,236)
Share of profit of subsidiaries, associates, and joint ventures accounted for using equity method	6(5)	(426,530)	(388,906)
Interest expense	6(7)(20)	3,085,977	1,652,135
Interest income	6(19)(21)	(16,561,836)	(13,331,566)
Dividend income		(900)	(911)
Profit from lease modification	6(7)	-	(758)
Share-based payments	6(15)	908	10,150
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating assets			
Financial assets at fair value through profit or loss		-	2,848
Notes and accounts receivable		(39,384,183)	(38,036,206)
Inventories		9,872	7,005
Prepayments		249,379	815,354
Other receivables		(2,129)	2,974
Other financial assets		44,800	(29,800)
Net changes in liabilities relating to operating activities			
Notes payable		(9,864)	(12,091)
Accounts payable		(64,975)	47,391
Accounts payable-related parties		65,556	(40,921)
Other payables		(409,512)	126,870
Financial guarantee liabilities-current		(12,112)	(14,109)
Cash outflow generated from operations		(44,640,446)	(42,087,585)
Cash dividends received		235,037	911
Interest received		16,551,213	13,327,590
Interest paid		(3,014,168)	(1,560,776)
Income tax paid		(1,079,829)	(834,006)
Net cash flows from used in operating activities		(31,948,193)	(31,153,866)
Cash Flows From Investing Activities			
Acquisition of investment accounted for using equity method	6(5)	(2,165,581)	(800,000)
Acquisition of property, plant and equipment	6(6)	(329,689)	(685,602)
Proceeds from disposal of property, plant and equipment	6(6)	-	95,006
(Increase) decrease in other non-current assets, others		(192,475)	172,157
Net cash flows used in investing activities		(2,687,745)	(1,218,439)
Cash Flows From Financing Activities			
Increase in short-term loans	6(27)	112,170	16,026,599
Repayments of principal portion of lease liabilities	6(27)	(23,946)	(25,080)
Increase in short-term notes and bills payable	6(27)	21,600,000	4,083,400
Proceeds from issuance of bonds payable	6(13)(27)	9,000,000	10,000,000
Increase in guarantee deposits received	6(27)	128,114	169,836
Cash dividends paid	6(18)(27)	(1,861,186)	(2,163,002)
Proceeds from issuance of preference stock	6(16)	5,000,000	5,000,000
Net cash flows from financing activities		33,955,152	33,091,753
Net (decrease) increase in cash and cash equivalents		(680,786)	719,448
Cash and cash equivalents at beginning of year		969,999	250,551
Cash and cash equivalents at end of year		\$ 289,213	\$ 969,999

The accompanying notes are an integral part of these parent company only financial statements.

VI. Finance Overview

HOTAI FINANCE CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

Hotai Finance Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company 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 12, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

VI. Finance Overview

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

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

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

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

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

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

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 MATERIAL 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".

VI. Finance Overview

(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 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’.

VI. Finance Overview

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.

VI. Finance Overview

(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:
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, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. However, for accounts receivable or operating lease receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(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.

VI. Finance Overview

(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 controlled by the Company. The Company controls an entity when the Company 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.
- 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. When the Company loses control of a subsidiary, the Company 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 Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

VI. Finance Overview

- 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, 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.

VI. Finance Overview

- 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 (machinery and equipment)	2 ~ 6 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 are changes in the lease term or lease payments and such changes do not arise from contract modifications.

VI. Finance Overview

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.

(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.

VI. Finance Overview

- (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 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.

VI. Finance Overview

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 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.

VI. Finance Overview

- 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 and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the 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 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

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

(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.

VI. Finance Overview

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(20) for the information of financial guarantee contracts.

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.

VI. Finance Overview

(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 \$236,797,890 as of December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 1,901	\$ 1,812
Checking accounts and demand deposits	<u>287,312</u>	<u>968,187</u>
	<u>\$ 289,213</u>	<u>\$ 969,999</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, 2023 and 2022, cash and cash equivalents pledged to others as collateral amounting to \$106,200 and \$151,200, respectively, were classified as other current financial assets and other non-current assets, others.

(2) Hedging financial assets and liabilities

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges:				
<u>Exchange rate risk and interest rate risk</u>				
Cross-currency swaps	<u>\$ 371,651</u>	<u>(\$ 1,073,425)</u>	<u>\$ 341,901</u>	<u>(\$ 586,800)</u>

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Company's foreign currency loans are exposed to the impact of variable exchange rate and interest rates, the Company uses cross-currency swap to control the exchange rate risk and interest rates under their acceptable range.

VI. Finance Overview

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

		December 31, 2023				Year ended December 31, 2023			
Hedging instruments	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rate	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges									
<u>Exchange rate risk</u>									
<u>interest rate risk</u>									
Cross-currency swaps transactions	JPY	66,100,000	2021/9/30~ 2025/5/2	\$ 114,975	(\$1,042,778)	\$ -	0.21~0.25	0.83~2.32	\$ -
	EUR	75,000	2022/9/12~ 2024/9/12	256,676	-	-	30.60	2.04	-
	USD	30,000	2023/9/7~ 2024/9/6	-	(30,647)	-	31.97	1.85	-
					December 31, 2022	Year ended December 31, 2022			
Cash flow hedges									
<u>Exchange rate risk</u>									
<u>interest rate risk</u>									
Cross-currency swaps transactions	JPY	58,800,000	2020/8/5~ 2024/9/9	\$ 182,211	(\$ 586,800)	\$ -	0.23~0.28	0.83~2.24	\$ -
	EUR	75,000	2022/9/12~ 2024/9/12	159,690	-	-	30.60	2.04	-
					December 31, 2023	Valuation on liabilities' carrying amount due to fair value hedges			
Hedged items					Liabilities carrying amount	Liabilities carrying amount			
Cash flow hedges									
<u>Exchange rate risk and interest rate risk</u>									
Short-term loans					\$ 18,592,370	(\$ 740,945)			
					December 31, 2022				
Cash flow hedges									
<u>Exchange rate risk and interest rate risk</u>									
Short-term loans					\$ 16,555,200	(\$ 465,465)			
					Valuation on liabilities' carrying amount due to fair value hedges				
Hedged items					Liabilities carrying amount	Liabilities carrying amount			

VI. Finance Overview

C. Cash flow hedges

	<u>Year ended December 31, 2023</u>	
<u>Other equity - cash flow hedge reserve</u>		
At January 1	\$	176,453
Less: Gains on hedge effectiveness-amount recognised in other comprehensive income	(	113,220)
Less: Reclassified to profit or loss as the hedged item has affected profit and loss	(	68,175)
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income		<u>36,279</u>
At December 31	<u>\$</u>	<u>31,337</u>
		<u>Year ended December 31, 2022</u>
<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	(	<u>57,232</u>
At December 31	<u>\$</u>	<u>176,453</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.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Installment notes receivable	\$ 7,792,920	\$ 7,054,693
Installment accounts receivable	268,048,587	224,471,995
Lease payments and notes receivable	<u>78,594</u>	<u>143,619</u>
	275,920,101	231,670,307
Less: Unrealized interest revenue	(35,039,484)	(27,317,354)
Unearned finance income	(3,642)	(4,920)
Allowance for doubtful accounts	<u>(4,079,085)</u>	<u>(3,093,119)</u>
Notes and accounts receivable, net	<u>\$ 236,797,890</u>	<u>\$ 201,254,914</u>

As of December 31, 2023 and 2022, notes receivable pledged as collaterals for loans and commercial papers to banks amounted to \$4,016,724 and \$3,943,320, respectively. Please refer to Note 8.

VI. Finance Overview

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 272,886,564	\$ 230,088,653
31 to 60 days	1,199,071	588,338
61 to 90 days	541,837	316,791
91 to 120 days	495,578	234,177
121 to 150 days	411,453	241,171
Over 150 days	385,598	201,177
	<u>\$ 275,920,101</u>	<u>\$ 231,670,307</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, 2023</u>	<u>December 31, 2022</u>
Not later than one year	\$ 89,469,132	\$ 76,516,866
Over 1 year	186,372,375	155,009,822
	<u>\$ 275,841,507</u>	<u>\$ 231,526,688</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).

(4) Prepayments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid commission	\$ 2,502,747	\$ 2,753,821
Prepayments	60,434	75,289
Others	85,939	69,389
	<u>\$ 2,649,120</u>	<u>\$ 2,898,499</u>

(5) Investments accounted for using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
Hoyun International Limited	\$ 2,838,396	\$ 2,763,900
Hoing Mobility Service Corporation	369,407	342,634
He Jing Co., Ltd.	2,447,890	751,075
He Jun Energy Co., Ltd.	732,635	776,980
Associates:		
Hotai Mobility Service Co., Ltd.	79,151	91,148
Ly Hour Leasing PLC	547,724	-
	<u>\$ 7,015,203</u>	<u>\$ 4,725,737</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, 2023.

VI. Finance Overview

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 \$426,530 and \$388,906 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the carrying amount of the Company's individually immaterial associates amounted to \$626,875 and \$91,148, respectively.

	2023	2022
Comprehensive loss for the year	(\$ 9,854)	(\$ 12,000)

D. In October 2023, the Company acquired 35% of the shareholding of Ly Hour Leasing PLC. amounting to US\$17,000 thousand in cash. Although the Company is the single largest shareholder of Ly Hour Leasing PLC, the combined shareholdings of the other two major shareholders (not related parties) exceed the Company's shareholdings, which indicates that the Company has no real ability to direct the relevant activities and therefore assessed that it does not have control over the company and only has significant influence over it.

E. In June 2023, the Company participated in a cash capital increase of He Jing Co., Ltd. amounting to \$1,620,000 based on its 81% shareholding ratio. The shareholding ratio remained unchanged.

F. The Company invested \$800,000 in cash to establish He Jun Energy Co., Ltd. in February 2022 and acquired 80% shares of the investee.

VI. Finance Overview

(6) Property, plant and equipment

	2023						
	Land	Buildings and structures	Furniture and fixtures (including office equipment)			Leasehold improvements	Total
			Owner-occupied	Lease (Note 1)	Subtotal		
At January 1							
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>
Opening net book amount as at January 1	\$ 821,223	\$ 197,756	\$ 1,999	\$ 175,459	\$ 177,458	\$ 1,898	\$1,198,335
Additions	240,240	26,954	-	62,495	62,495	-	329,689
Disposal	-	-	(97)	-	(97)	-	(97)
Reclassifications	-	-	-	(9,037)	(9,037)	-	(9,037)
Depreciation	-	(4,926)	(951)	(104,510)	(105,461)	(1,739)	(112,126)
Gain on reversal of impairment loss	-	-	-	2,437	2,437	-	2,437
Closing net book amount as at December 31	<u>\$1,061,463</u>	<u>\$ 219,784</u>	<u>\$ 951</u>	<u>\$ 126,844</u>	<u>\$ 127,795</u>	<u>\$ 159</u>	<u>\$1,409,201</u>
At December 31							
Cost	\$1,061,463	\$ 240,620	\$ 27,479	\$ 301,752	\$ 329,231	\$ 15,578	\$1,646,892
Accumulated depreciation and impairment	-	(20,836)	(26,528)	(174,908)	(201,436)	(15,419)	(237,691)
	<u>\$1,061,463</u>	<u>\$ 219,784</u>	<u>\$ 951</u>	<u>\$ 126,844</u>	<u>\$ 127,795</u>	<u>\$ 159</u>	<u>\$1,409,201</u>

Note 1: 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.

Note 2: No property, plant and equipment of the Company was pledged to others.

Note 3: The Company has no circumstances that require interest capitalization.

VI. Finance Overview

	2022						
	Land	Buildings and structures	Furniture and fixtures (including office equipment) Owner-occupied	Lease (Note 1)	Subtotal	Leasehold improvements	Total
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 1: 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.

Note 2: No property, plant and equipment of the Company was pledged to others.

Note 3: The Company has no circumstances that require interest capitalization.

VI. Finance Overview

(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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and structures	\$ 53,123	\$ 63,605
Machinery and equipment	1,096	2,192
	<u>\$ 54,219</u>	<u>\$ 65,797</u>
	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings and structures	\$ 22,656	\$ 24,010
Machinery and equipment	1,096	1,096
	<u>\$ 23,752</u>	<u>\$ 25,106</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$12,174 and \$20,487, respectively.

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 390	\$ 569
Expense on short-term lease contracts	4,474	3,569
Profit from lease modification	-	758
Expense on variable lease payments	106	568

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$28,916 and \$29,786, 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.

VI. Finance Overview

- 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:

	Years ended December 31,	
	2023	2022
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Finance income from the net investment in the finance lease	\$ 3,964	\$ 6,956

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Next 1 year	\$ 40,694	\$ 86,449
Next 2 years	13,542	34,697
Next 3 years	9,995	7,720
Next 4 years	5,541	4,192
Next 5 years	1,041	1,275
	<u>\$ 70,813</u>	<u>\$ 134,333</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Undiscounted lease payments	\$ 70,813	\$ 134,333
Unearned finance income	(3,642)	(4,920)
Net investment in the lease	<u>\$ 67,171</u>	<u>\$ 129,413</u>

- E. For the years ended December 31, 2023 and 2022, the Company recognized rent income in the amounts of \$131,431 and \$170,054, 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, 2023</u>	<u>December 31, 2022</u>
Next 1 year	\$ 92,158	\$ 116,563
Next 2 years	43,325	62,552
Next 3 years	22,127	33,361
Next 4 years	9,187	18,024
Next 5 years	2,231	6,749
	<u>\$ 169,028</u>	<u>\$ 237,249</u>

VI. Finance Overview

(9) Investment property

	2023		
	Land	Buildings and structures	Total
At January 1			
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>
At January 1	\$ 357,858	\$ 87,202	\$ 445,060
Depreciation charge	-	(2,850)	(2,850)
At December 31	<u>\$ 357,858</u>	<u>\$ 84,352</u>	<u>\$ 442,210</u>
At December 31			
Cost	\$ 357,858	\$ 101,888	\$ 459,746
Accumulated depreciation	-	(17,536)	(17,536)
	<u>\$ 357,858</u>	<u>\$ 84,352</u>	<u>\$ 442,210</u>
	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:

	Years ended December 31,	
	2023	2022
Rental income from investment property	<u>\$ 10,800</u>	<u>\$ 7,138</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 4,094</u>	<u>\$ 4,100</u>

VI. Finance Overview

- B. The fair value of the investment property held by the Company as of December 31, 2023 and 2022 were \$482,903 and \$508,275, respectively. The values are based on the recent transaction prices of similar properties in the respective regions of investment properties, taking into account factors such as location, scale and usage. The appraisal belonged to the third level of fair value.

(10) Short-term loans

<u>Type of loans</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank loans		
Credit loans	\$ 24,094,425	\$ 27,985,235
Mid-term syndicated loans for working capital	25,038,600	19,811,100
Pledged loans	<u>6,000,000</u>	<u>7,500,000</u>
	<u>\$ 55,133,025</u>	<u>\$ 55,296,335</u>
Interest rates	<u>0.49%~6.33%</u>	<u>0.55%~2.04%</u>

As of December 31, 2023 and 2022, 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%~2.32% and 0.83%~2.24% respectively.
- B. The Company has entered into a mid-term syndicated contract for a credit line of \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from February 24, 2023 to February 24, 2026). The loan can be drawn several times. Of the total loan, \$6,025,000 is non-revolving and the payment term is to repay the full drawn amount at the maturity date. The remaining amount of \$7,975,000 is revolving and the payment term is to repay the full drawn amount at the maturity date.
- 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, 2023 to December 6, 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.
- 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.

VI. Finance Overview

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.

As of December 31, 2023, the Company met all the financial commitments stated in the contract.

(11) Short-term notes and bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	\$ 122,683,400	\$ 101,083,400
Less: Unamortized discount	(119,392)	(121,635)
	<u>\$ 122,564,008</u>	<u>\$ 100,961,765</u>
Interest rates	<u>0.70%~2.05%</u>	<u>0.66%~1.84%</u>

(12) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and salaries payable	\$ 495,408	\$ 451,204
Commission payable	-	277,600
Business tax payable	204,933	209,005
Interest payable	258,142	188,576
Employees' compensation payable	48,460	46,480
Receipts under custody	39,294	34,425
Others	561,752	740,645
	<u>\$ 1,607,989</u>	<u>\$ 1,947,935</u>

(13) Bonds payable

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

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

A. The Company issued \$5,000,000, 1.49% second secured ordinary bonds in 2023. The bonds mature 2 years from the issue date (October 27, 2023 ~ October 27, 2025) and will be redeemed in cash at face value at the maturity date.

B. The Company issued \$4,000,000, 1.50% first unsecured ordinary bonds in 2023. The bonds mature 5 years from the issue date (March 28, 2023 ~ March 28, 2028) and will be redeemed in cash at face value at the maturity date.

VI. Finance Overview

- C. 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.
- D. 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.
- E. 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.
- F. 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.
- G. The Company issued \$7,000,000, 0.70% first unsecured ordinary bonds in 2020. The bonds mature 5 years from the issue date (April 22, 2020 ~ April 22, 2025) and will be redeemed in cash at face value at the maturity date.

(14) 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, 2023 and 2022 were \$57,409 and \$49,488, respectively.

(15) Share-based payments

- A. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2023.8.7	195 thousand shares	NA	Vested immediately
Cash capital increase reserved for employee preemption	2022.8.4	5,000 thousand shares	NA	Vested immediately

VI. Finance Overview

- 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	2023.8.7	\$104.63	\$ 100	5.68	0.041	0.8098	\$ 4.66
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,	
	2023	2022
Equity-settled	\$ 908	\$ 10,150

(16) Share capital

- A. As of December 31, 2023 and 2022, the Company's authorized capital were both \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock. The Company's issued and outstanding capital stock amounted to 666,500 and 565,000 thousand shares, with par value of NT\$10 per share, respectively. All proceeds from shares issued have been collected.
- B. On May 31, 2023, the Company, through a resolution of the shareholders' meeting, decided to execute a capital increase for the issuance of new shares based on undistributed earnings of \$515,000. This involved issuing 51,500 thousand new shares with a par value of \$10 per share. The capital increase was approved by the Financial Supervisory Commission and became effective on July 21, 2023.
- C. 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.

VI. Finance Overview

- (b) Dividends: Dividends are calculated at 4.2% per annum, consisting of five-year IRS rate of 1.1175% on pricing effective date (August 19, 2022) and specific markup of 3.0825%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages “PYTWD01” and “COSMOS3” at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- (c) Dividend distribution: Dividends are distributed once per year in the form of cash. The effective date for distributing previous year’s distributable dividends will be set by the Board of Directors. Dividend distributions in the issuance and redemption years are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then the remaining amount shall be set aside as legal reserve, and shall be set aside as special reserve as required by the regulations when necessary. The remainder, if any in the current year, can be distributed as dividends of Class A preference shares in first priority.
- The Company has discretion in dividend distribution of Class A preference shares. The Company could choose not to distribute dividends of preferred shares, which would not lead to default if the Company has no or has insufficient current year’s earnings for distribution. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not become deferred payments in future years when the Company has earnings.
- (d) Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preference shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
- (e) Residual property distribution: The shareholders of Class A preference shares have priority over shareholders of common stocks in distributing the Company’s residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preference shares issued and the issue price when distributing.
- (f) Right to vote and be elected: The shareholders of Class A preference shares have no right to vote and be elected in the shareholders’ meeting of the Company but have the right to vote in the shareholders’ meeting for shareholders of Class A preference shares and shareholders’ meeting regarding to rights and obligations of shareholders of Class A preference shares.
- (g) Conversion to common shares: Class A preference shares could not be converted to common shares. The stockholders of Class A preference shares cannot request the Company to retire the stocks they hold.

VI. Finance Overview

- (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.
- D. On May 4, 2023, the Board of Directors resolved to increase the Company's capital amounting to \$5,000,000 by issuing 50 million shares of Class B 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 July 19, 2023, and the effective date was set on August 29, 2023. The rights and obligations of these outstanding preference shares are as follows:
- (a) Expiration date: The Company's Class B 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 B 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 4.5% per annum, consisting of five-year IRS rate of 1.4325% on pricing effective date (July 28, 2023) and specific markup of 3.0675%, 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 B preference shares in first priority. The Company has discretion in dividend distribution of Class B 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 B preference shares could not participate in the distribution of cash and capitalized assets for common shares derived from earnings and capital surplus.

VI. Finance Overview

- (e) Residual property distribution: The shareholders of Class B 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 B 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 preference shares and shareholders' meeting regarding to rights and obligations of shareholders of preference shares.
- (g) Conversion to common shares: Class B preference shares could not be converted to common shares. The stockholders of Class B preference shares cannot request the Company to retire the stocks they hold.
- (h) The preemptive rights for shareholders of Class B 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 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.

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 the Financial Supervisory Commission's letter Jin-Guan-Zheng-Fa-Zi No. 1090150022, dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On May 31, 2023 and June 23, 2022, the shareholders resolved that the stock and cash dividends for the distribution of earnings for the years of 2022 and 2021 was as follows:

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

- F. On March 12, 2024, the Board of Directors resolved that the stock and cash dividends for the distribution of earnings of 2023 was as follows:

	<u>Year ended December 31, 2023</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 368,981	
Special reserve	91,163	
Dividends on special shares A	210,000	\$ 4.20
Dividends on special shares B	77,055	1.54
Cash dividend on ordinary shares	1,699,501	3.00
Stock dividend on ordinary shares	566,501	1.00
	<u>\$ 3,013,201</u>	

VI. Finance Overview

(19) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 1,906,773	\$ 1,750,286
Other operating revenue		
Interest income	16,549,938	13,317,707
Revenue from operating leases	117,436	160,420
Revenue from finance leases	3,964	6,956
	<u>\$ 18,578,111</u>	<u>\$ 15,235,369</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:

	Years ended December 31,	
	2023	2022
Timing of revenue recognition		
At a point in time	\$ 1,719,869	\$ 1,467,211
Over time	186,904	283,075
	<u>\$ 1,906,773</u>	<u>\$ 1,750,286</u>

(20) Operating costs

	Years ended December 31,	
	2023	2022
Cost of sales	\$ 2,559,997	\$ 1,553,423
Interest costs	3,085,587	1,651,566
Rental sales	107,322	159,312
Service costs	399,688	456,553
Other costs	106	2,108
	<u>\$ 6,152,700</u>	<u>\$ 3,822,962</u>

(21) Interest income

	Years ended December 31,	
	2023	2022
Interest from short-term notes	\$ 1,557	\$ 5,116
Interest from bank deposits	6,284	1,707
Others interest	93	80
	<u>\$ 7,934</u>	<u>\$ 6,903</u>

VI. Finance Overview

(22) Other income

	Years ended December 31,	
	2023	2022
Rental revenue	\$ 13,995	\$ 9,634
Other income - others	76,601	53,610
	<u>\$ 90,596</u>	<u>\$ 63,244</u>

(23) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 1,773,111	\$ 1,463,893
Depreciation charges on right-of-use assets	\$ 23,752	\$ 25,106
Depreciation charges on property, plant and equipment	\$ 112,126	\$ 168,865
Depreciation charges on investment property	\$ 2,850	\$ 2,850

(24) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 1,500,576	\$ 1,246,203
Labor and health insurance fees	109,351	92,955
Pension costs	57,409	49,488
Directors' remuneration	5,509	4,083
Other personnel expenses	100,266	71,164
	<u>\$ 1,773,111</u>	<u>\$ 1,463,893</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, 2023 and 2022, employees' remuneration were accrued at \$48,460 and \$46,480, 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, 2023. The employees' remuneration resolved by the Board of Directors amounted to \$48,460 and the employees' remuneration will be distributed in the form of cash.

VI. Finance Overview

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

Information about employees' remuneration 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:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 1,140,385	\$ 946,417
Tax on undistributed surplus earnings	50,915	29,130
Prior year income tax under (over) estimation	2,000	(4,328)
Total current tax	<u>1,193,300</u>	<u>971,219</u>
Deferred tax:		
Origination and reversal of temporary differences	(85,604)	6,894
Total deferred tax	<u>(85,604)</u>	<u>6,894</u>
Income tax expense	<u>\$ 1,107,696</u>	<u>\$ 978,113</u>

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

	Years ended December 31,	
	2023	2022
Cash flow hedges	<u>(\$ 36,279)</u>	<u>\$ 57,232</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 959,502	\$ 920,300
Effect from items adjusted based on other regulations	95,279	33,011
Tax on undistributed surplus earnings	50,915	29,130
Prior year income tax under (over) estimation	2,000	(4,328)
Income tax expense	<u>\$ 1,107,696</u>	<u>\$ 978,113</u>

VI. Finance Overview

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

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Allowance for doubtful accounts	\$ 217,838	\$ 121,703	\$ -	\$ 339,541
Unrealized provision of rental property losses	1,533	(487)	-	1,046
Difference in depreciation between financial and tax reporting purposes	17,499	(6,924)	-	10,575
Others	3,695	299	-	3,994
Subtotal	<u>\$ 240,565</u>	<u>\$ 114,591</u>	<u>\$ -</u>	<u>\$ 355,156</u>
- Deferred tax liabilities:				
Gains from overseas' investment	(\$ 316,573)	(\$ 28,987)	\$ -	(\$ 345,560)
Others	(44,113)	-	36,279	(7,834)
Subtotal	<u>(\$ 360,686)</u>	<u>(\$ 28,987)</u>	<u>\$ 36,279</u>	<u>(\$ 353,394)</u>
Total	<u>(\$ 120,121)</u>	<u>\$ 85,604</u>	<u>\$ 36,279</u>	<u>\$ 1,762</u>
	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	<u>\$ 171,257</u>	<u>\$ 82,427</u>	<u>(\$ 13,119)</u>	<u>\$ 240,565</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>(\$ 55,995)</u>	<u>(\$ 6,894)</u>	<u>(\$ 57,232)</u>	<u>(\$ 120,121)</u>

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

VI. Finance Overview

(27) Changes in liabilities from financing activities

	Short-term loans	Short-term notes and bills payable	Bonds payable	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1, 2023	\$ 55,296,335	\$ 100,961,765	\$ 22,200,000	\$ 518,988	\$ 66,986	\$ -	\$ 179,044,074
Changes in cash flow from financing activities	112,170	21,600,000	9,000,000	128,114	(23,946)	(1,861,186)	28,955,152
Others	(275,480)	2,243	-	-	12,174	1,861,186	1,600,123
At December 31, 2023	<u>\$ 55,133,025</u>	<u>\$ 122,564,008</u>	<u>\$ 31,200,000</u>	<u>\$ 647,102</u>	<u>\$ 55,214</u>	<u>\$ -</u>	<u>\$ 209,599,349</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>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship.

Names of related parties	Relationship with the Company
Ho Tai Motor Co., Ltd.	The ultimate parent
Hoyun International Leasing Co., Ltd. (Hoyun International)	Subsidiary
Hoing Mobility Service Co., Ltd.	Subsidiary
He Jing Co., Ltd. (He Jing)	Subsidiary
He Jun Energy Co., Ltd.(He Jun Energy)	Subsidiary
Hejun Electricity Co., Ltd.	Subsidiary
Cheng Yo Technology Co., Ltd.	Subsidiary
Hon Yang Energy Co., Ltd.	Subsidiary
Wei Tien Energy Storage Co., Ltd.	Subsidiary
Hotai Leasing Co., Ltd. (Hoyun)	Other related parties
Taipei Toyota Motor Co., Ltd.	Other related parties
Tau Miao Motor Co., Ltd. (Tau Miao)	Other related parties
Kuotu Motor Co., Ltd. (Kuotu)	Other related parties
Central Motor Co., Ltd.	Other related parties
Nan Du Motor Co., Ltd.	Other related parties
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

VI. Finance Overview

Names of related parties	Relationship with the Company
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
Ho Young Travel Agency CO., LTD.	Other related parties

(2) Significant related party transactions and balances

A. Revenue

(a) Compensation of installment sale price spread

	Years ended December 31,	
	2023	2022
- The ultimate parent	\$ 87,798	\$ 195,127
- Other related parties	213,735	256,492
	<u>\$ 301,533</u>	<u>\$ 451,619</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,	
	2023	2022
- Subsidiary		
Hoyun International	\$ 33,741	\$ 42,074
He Jing	10,873	7,357
He Jun Energy	6,893	3,448
Others	1,817	1,323
- Other related parties		
Hoyun	211	2,556
	<u>\$ 53,535</u>	<u>\$ 56,758</u>

(c) Fee income

	Years ended December 31,	
	2023	2022
- Other related parties	<u>\$ 2,211</u>	<u>\$ 20,240</u>

VI. Finance Overview

(d) Other income

	Years ended December 31,	
	2023	2022
- Subsidiary		
He Jing	\$ 22,533	\$ 11,180
Others	114	70
- Other related parties	-	387
	<u>\$ 22,647</u>	<u>\$ 11,637</u>

B. Expenses

(a) Rental expense

	Years ended December 31,	
	2023	2022
- The ultimate parent	\$ 36	\$ 106
- Subsidiary	1,230	250
- Other related parties		
Hoyun	11,181	9,742
Others	7	280
	<u>\$ 12,454</u>	<u>\$ 10,378</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,	
	2023	2022
- The ultimate parent	\$ 8,787	\$ 25,583
- Other related parties	295,237	331,530
	<u>\$ 304,024</u>	<u>\$ 357,113</u>

(c) Advertisement expense

	Years ended December 31,	
	2023	2022
- The ultimate parent	\$ 5	\$ 1
- Subsidiary	3	1,000
- Other related parties		
Hotai Connected	17,163	16,539
	<u>\$ 17,171</u>	<u>\$ 17,540</u>

(d) Chattel security service charge

	Years ended December 31,	
	2023	2022
- Other related parties	\$ 41,585	\$ 41,670

VI. Finance Overview

(e) Others

	Years ended December 31,	
	2023	2022
- The ultimate parent	\$ 4,705	\$ 1,919
- Other related parties		
Kuotu	6,946,475	6,400,391
Kau Du	4,367,366	4,683,949
Tau Miao	4,008,822	3,706,139
Others	4,679,416	4,251,250
	<u>\$ 20,006,784</u>	<u>\$ 19,043,648</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, 2023</u>	<u>December 31, 2022</u>
- The ultimate parent	\$ 17,199	\$ 32,597
- Subsidiary	11	6
- Other related parties	40,601	36,716
	<u>\$ 57,811</u>	<u>\$ 69,319</u>

(b) Accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- Other related parties		
Kuotu	\$ 147,794	\$ 90,248
Kau Du	40,980	37,730
Others	34,740	29,980
	<u>\$ 223,514</u>	<u>\$ 157,958</u>

(c) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
- The ultimate parent	\$ 470	\$ 521
- Subsidiary	139	72
- Other related parties	8,093	38,737
	<u>\$ 8,702</u>	<u>\$ 39,330</u>

VI. Finance Overview

D. Endorsements and guarantees

Subsidiary	December 31, 2023		December 31, 2022	
	NTD	2,000,000	NTD	12,500,000
	CNY	580,000	CNY	580,000
	USD	5,000	USD	5,000

E. Property transactions

(a) Acquisition of financial assets

	Item recognised	Shares traded	Transaction target	Year ended December 31, 2023	
				Consideration	
- Subsidiary					
He Jing	Investment accounted using the equity method	162,000,000	Shares	\$	1,620,000

(b) Disposal of property, plant and equipment

	Years ended December 31,	
	2023	2022
- Subsidiary	\$ -	\$ 95,006

(c) Disposal of other assets

	Years ended December 31,	
	2023	2022
- Subsidiary	\$ -	\$ 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,	
	2023	2022
- The ultimate parent	\$ 11,674	\$ -

(c) Lease liabilities

	Years ended December 31,	
	2023	2022
- The ultimate parent	\$ 11,674	\$ 3,798
- Other related parties		
Ho Yu	14,838	17,956
	\$ 26,512	\$ 21,754

VI. Finance Overview

(3) Key management compensation

	Years ended December 31,	
	2023	2022
Wages, salaries and others short-term employee benefits	\$ 77,661	\$ 65,284
Post-employment benefits	576	544
	<u>\$ 78,237</u>	<u>\$ 65,828</u>

8. PLEDGED ASSETS

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

Items	December 31, 2023	December 31, 2022	Purpose
Pledged assets (Note)			
- Pledged time deposits	\$ 1,200	\$ 1,000	Guarantee deposit for credit line on gasoline purchases
- Pledged savings account	105,000	150,000	Pledged to banks as collateral for short-term borrowings and commercial paper payable
	<u>\$ 106,200</u>	<u>\$ 151,000</u>	
Notes and accounts receivable, net			
- Notes receivable from installment sales	\$ 3,966,436	\$ 3,876,759	Pledged to banks as collateral for short-term borrowings and commercial paper payable
- Notes receivable from leases	50,288	66,561	"
	<u>\$ 4,016,724</u>	<u>\$ 3,943,320</u>	

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Please refer to Note 6(8) for the operating leases agreement.

(2) As of December 31, 2023, the Company had entered into contracts for the purchase of the real estate but not yet acquired amounting to \$784,030.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(18) for the appropriation of 2023 earnings.

(2) On March 12, 2024, the Board of Directors resolved to delegate the Chairman to dispose of land and buildings located in Kaohsiung to a related party, Kau Du Automobile Co., Ltd. for a total amount not less than \$700,000.

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, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 3,919	\$ 3,519
Financial assets at amortized cost		
Cash and cash equivalents	\$ 289,213	\$ 969,999
Notes receivable	7,805,226	7,120,910
Accounts receivable	218,201,023	186,862,870
Other receivables	21,575	8,823
Guarantee deposits paid	72,645	36,779
Long-term notes and accounts receivable	10,791,641	7,271,134
Other financial assets	106,200	151,000
	<u>\$ 237,287,523</u>	<u>\$ 202,421,515</u>
Hedging financial assets	<u>\$ 371,651</u>	<u>\$ 341,901</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ 55,133,025	\$ 55,296,335
Short-term notes and bills payable	122,564,008	100,961,765
Notes payable	6,542	16,406
Accounts payable (including related parties)	285,215	284,634
Other payables	1,607,989	1,947,935
Bonds payable	31,200,000	22,200,000
Guarantee deposits received	647,102	518,988
Financial guarantee liabilities	27,486	39,598
	<u>\$ 211,471,367</u>	<u>\$ 181,265,661</u>
Lease liabilities	<u>\$ 55,214</u>	<u>\$ 66,986</u>
Hedging financial liabilities	<u>\$ 1,073,425</u>	<u>\$ 586,800</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.

VI. Finance Overview

- (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 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, 2023 and 2022 would have increased/decreased by \$461,250 and \$319,000, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

VI. Finance Overview

(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, 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, 2023 and 2022, the outstanding amount of the customers' mortgaged loans with the banks were \$2,380,898 and \$3,779,139, respectively; and the amount of notes receivable received by the Company from the customers were \$26,667 and \$71,213, 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 60 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.

VI. Finance Overview

- 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.
- viii. The Company classifies customers' installment accounts and notes receivable and lease payments and notes receivable in accordance with situation of default. The Company uses deferral days and case assessment to estimate expected credit loss under the provision matrix basis.
- ix. For accounts receivables and notes payable, the credit rating levels are as follows:

	12 months	Lifetime			Total
		Significant increase in credit risk	Impairment of credit	Simplified approach	
December 31, 2023					
Neither past due nor impaired	\$272,878,782	\$ -	\$ -	\$ 7,782	\$272,886,564
Past due or case assessment	-	1,157,438	1,876,099	-	3,033,537
	<u>\$272,878,782</u>	<u>\$ 1,157,438</u>	<u>\$ 1,876,099</u>	<u>\$ 7,782</u>	<u>\$275,920,101</u>

	12 months	Lifetime			Total
		Significant increase in credit risk	Impairment of credit	Simplified approach	
December 31, 2022					
Neither past due nor impaired	\$230,079,369	\$ -	\$ -	\$ 9,284	\$230,088,653
Past due or case assessment	-	588,338	993,316	-	1,581,654
	<u>\$230,079,369</u>	<u>\$ 588,338</u>	<u>\$ 993,316</u>	<u>\$ 9,284</u>	<u>\$231,670,307</u>

VI. Finance Overview

- x. The Company used historical expense and the forward-looking information, such as forecastability of future economic environment to assess the default possibility. As of December 31, 2023 and 2022, the movements of the loss allowance are as follows:

	Year ended December 31, 2023				
	12 months	Lifetime			Total
		Significant increase in credit risk	Impairment of credit	Simplified approach	
At January 1					
Transfer and measurement stages	\$ 2,044,114	\$ 234,486	\$ 814,519	\$ -	\$ 3,093,119
Provision for impairment	(39,303)	(90,878)	130,181	-	-
Write-offs	560,367	282,965	2,974,823	-	3,818,155
At December 31	<u>-</u>	<u>-</u>	<u>(2,832,189)</u>	<u>-</u>	<u>(2,832,189)</u>
	<u>\$ 2,565,178</u>	<u>\$ 426,573</u>	<u>\$ 1,087,334</u>	<u>\$ -</u>	<u>\$ 4,079,085</u>
	Year ended December 31, 2022				
	12 months	Lifetime			Total
		Significant increase in credit risk	Impairment of credit	Simplified approach	
At January 1					
Transfer and measurement stages	\$ 1,632,484	\$ 166,633	\$ 503,695	\$ -	\$ 2,302,812
Provision for impairment	(14,615)	(56,014)	70,629	-	-
Write-offs	426,245	123,867	1,739,383	-	2,289,495
At December 31	<u>-</u>	<u>-</u>	<u>(1,499,188)</u>	<u>-</u>	<u>(1,499,188)</u>
	<u>\$ 2,044,114</u>	<u>\$ 234,486</u>	<u>\$ 814,519</u>	<u>\$ -</u>	<u>\$ 3,093,119</u>

For the years ended December 31, 2023 and 2022, gain on reversal of bad debts amounted to \$960,076 and \$806,979, respectively, and recognized in deduction on expected credit impairment loss.

VI. Finance Overview

(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. 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.

<u>December 31, 2023</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 38,331,914	\$ 11,610,945	\$ 6,044,091
Short-term notes and bills payable	99,147,995	16,260,987	8,260,337
Notes payable	6,542	-	-
Accounts payable (including related parties)	285,215	-	-
Other payables	1,607,989	-	-
Lease liabilities	21,923	17,504	16,475
Bonds payable	343,500	22,211,960	9,347,534
<u>Derivative financial liabilities:</u>			
Cross-currency swap	1,024,637	48,788	-
		<u>Between</u>	
<u>December 31, 2022</u>	<u>Within 1 year</u>	<u>1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 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	-

VI. Finance Overview

(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, 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, 2023 and 2022 is as follows:

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Hedging financial assets	\$ -	\$ 371,651	\$ -	\$ 371,651
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	3,919	3,919
	<u>\$ -</u>	<u>\$ 371,651</u>	<u>\$ 3,919</u>	<u>\$ 375,570</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 1,073,425</u>	<u>\$ -</u>	<u>\$ 1,073,425</u>

VI. Finance Overview

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Hedging financial assets	\$ -	\$ 341,901	\$ -	\$ 341,901
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	3,519	3,519
	<u>\$ -</u>	<u>\$ 341,901</u>	<u>\$ 3,519</u>	<u>\$ 345,420</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 586,800</u>	<u>\$ -</u>	<u>\$ 586,800</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.
 - 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, 2023 and 2022, 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:

VI. Finance Overview

	Fair value at December 31, 2023	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 3,919	Net worth method	Net asset value		- The higher the net asset value, the higher the fair value
	Fair value at December 31, 2022	Valuation Technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 3,519	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) 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, 2023</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 289,213	\$ 289,213	\$ -
Hedging financial assets - current	371,651	371,651	-
Accounts and notes receivable, net	226,006,249	74,194,994	151,811,255
Other receivables	21,575	21,575	-
Inventories	3,346	3,346	-
Prepayments	2,649,120	1,251,464	1,397,656
Other current financial assets	105,600	105,600	-
<u>Liabilities</u>			
Short-term loans	\$ 55,133,025	\$ 37,725,305	\$ 17,407,720
Short-term notes and bills payable	122,564,008	98,537,482	24,026,526
Hedging financial liabilities - current	1,073,425	1,024,637	48,788
Accounts and notes payable (including related parties)	291,757	291,757	-
Other payables	1,607,989	1,607,989	-
Current income tax liabilities	716,043	716,043	-
Lease liabilities-current	21,545	21,545	-
Financial guarantee liabilities-current	27,486	27,486	-
Bonds payable	31,200,000	-	31,200,000
Guarantee deposits received-current	643,331	278,878	364,453

VI. Finance Overview

<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

13. SUPPLEMENTARY DISCLOSURES

The information of significant transactions for the year ended December 31, 2023 is as follows:

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

VI. Finance Overview

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

As of December 31, 2023, 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 66,100,000	2024/9/9~ 2025/5/2	(\$ 927,803)	(\$927,803)
		EUR 75,000	2024/9/12	256,676	256,676
		USD 30,000	2024//9/6	(30,647)	(30,647)

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

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

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

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

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

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

(f) Other transactions having significant to profit or loss or financial status, i.e. services rendering or receiving: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

Not applicable.

VI. Finance Overview

Hotai Finance Co., Ltd.

Loans to others

Table 1

Year ended December 31, 2023

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	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	\$ -	\$ -	1.73%	Short-term financing	\$ -	Operational needs	\$ -	None	\$ -	\$ 3,609,761	\$ 7,219,522	Note 1
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Other receivables	Y	2,000,000	-	-	1.73%	Short-term financing	-	Operational needs	-	None	-	3,609,761	7,219,522	Note 1
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Other receivables	Y	864,479	864,479	259,344	3.90% ~ 4.10%	Short-term financing	-	Operational needs	-	None	-	5,619,342	11,238,684	Note 2
1	Hoyun International Leasing Co., Ltd.	Hemei International Trade (Suzhou) Co., Ltd	Other receivables	Y	221,416	216,120	4,322	3.90% ~ 4.00%	Short-term financing	-	Operational needs	-	None	-	5,619,342	11,238,684	Note 2
2	He Jun Energy Co., Ltd.	Cheng Yo Technology Co.,Ltd.	Other receivables	Y	45,000	45,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Hon Yang Energy Co., Ltd.	Other receivables	Y	20,000	20,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Other receivables	Y	10,000	10,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Other receivables	Y	30,000	30,000	-	1.73%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
2	He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Other receivables	Y	10,000	10,000	3,000	2.49%	Short-term financing	-	Operational needs	-	None	-	91,587	183,175	Note 3
3	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	-	-	5.00%	Short-term financing	-	Operational needs	-	None	-	302,209	604,417	Note 4
3	He Jing Co., Ltd.	B	Accounts receivable	N	30,000	30,000	26,997	5.00%	Short-term financing	-	Operational needs	-	Stock	24,000	302,209	604,417	Note 4 、 Note 5
3	He Jing Co., Ltd.	C	Accounts receivable	N	85,000	85,000	83,079	6.25% ~ 10.00%	Short-term financing	-	Operational needs	-	Real estate	68,000	302,209	604,417	Note 4
3	He Jing Co., Ltd.	D	Accounts receivable	N	70,000	70,000	64,240	6.00% ~ 10.00%	Short-term financing	-	Operational needs	-	Real estate	82,810	302,209	604,417	Note 4

VI. Finance Overview

Hotai Finance Co., Ltd.

Loans to others

Year ended December 31, 2023

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, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
3	He Jing Co., Ltd.	E	Accounts receivable	N	30,000	30,000	-	5.00%	Short-term financing	-	Operational needs	-	Stock	24,000	302,209	604,417	Note 4、 Note 5

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

Note 4: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower 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.

Note 5: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower (B and E) for working capital needs, the collaterals are shared by both parties and the collaterals are stocks with value of \$24,000 thousand.

VI. Finance Overview

Table 2

Hotai Finance Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2023

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, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor	Company name											
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Subsidiary	\$ 36,097,609	\$ 10,500,000	\$ 500,000	\$ -	\$ -	1.39%	\$ 36,097,609	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	36,097,609	2,000,000	1,500,000	500,000	-	4.16%	36,097,609	Y	N	N	Note 2
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	Subsidiary of a subsidiary	36,097,609	2,223,669	2,161,198	324,797	-	5.99%	36,097,609	Y	N	Y	Note 2
0	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Subsidiary of a subsidiary	36,097,609	516,390	499,317	467,403	-	1.38%	36,097,609	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.

Table 3

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2023

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, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	\$ 3,811	0.50%	\$ 3,811	
Hotai Finance Co., Ltd.	Ho Chuang Insurance Agency Co., Ltd.	-	Investments in equity instruments designated at fair value through other comprehensive income -non-current	-	108	0.50%	108	
He Jun Energy Co., Ltd.	Perpetual New Energy Co., Ltd.	None	Investments in equity instruments designated at fair value through other comprehensive income -non-current	1,600,000	15,737	8.00%	15,737	

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, 2023

Table 4 Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Additions		Disposal			Balance as at December 31, 2023		Footnote		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount	
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Investments accounted for using the equity method	He Jing Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	-	Note 1
Hotai Finance Co., Ltd.	Ly Hour Leasing PLC	Investments accounted for using the equity method	Note 2	Associate	-	-	-	-	-	-	-	-	-	-	-	Note 1
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Investments accounted for using the equity method	Heng Fong Energy Co., Ltd.	Associate	-	-	-	-	-	-	-	-	-	-	-	Note 1
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Investments accounted for using the equity method	Cheng Yo Technology Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-	-	Note 1
Hotai Finance Co., Ltd.	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	113,615,255	1,900,000	113,615,255	1,900,382	1,900,000	382	-	-	-	
Hotai Finance Co., Ltd.	Yuanta De- Bao Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	328,695,977	4,050,000	328,695,977	4,051,212	4,050,000	1,212	-	-	-	
Hotai Finance Co., Ltd.	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	109,550,678	1,700,000	109,550,678	1,700,261	1,700,000	261	-	-	-	
Hotai Finance Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	25,146,525	350,000	25,146,525	350,079	350,000	79	-	-	-	
Hotai Finance Co., Ltd.	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	130,319,999	1,900,000	130,319,999	1,900,597	1,900,000	597	-	-	-	

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, 2023

Table 4 Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Additions		Disposal			Balance as at December 31, 2023		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Hotai Finance Co., Ltd.	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	20,993,996	300,000	20,993,996	300,084	300,000	84	-	-	
Hotai Finance Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	68,513,726	1,100,000	68,513,726	1,100,448	1,100,000	448	-	-	
Hotai Finance Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	347,690,301	5,800,000	347,690,301	5,802,628	5,800,000	2,628	-	-	
Hotai Finance Co., Ltd.	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	97,769,367	1,200,000	97,769,367	1,200,207	1,200,000	207	-	-	
Hotai Finance Co., Ltd.	Shin Kong Chi-Shin Money-Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	31,465,341	500,000	31,465,341	500,312	500,000	312	-	-	
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	21,794,089	300,000	-	-	21,794,089	300,041	300,000	41	-	-	

Note1: Please refer to table 7 for relevant information.

Note 2: Obtained from a natural person.

VI. Finance Overview

Hotai Finance Co., Ltd.
Acquisition of real estate reaching NTS300 million or 20% of paid-in capital or more
Year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

Real estate acquired by	Real estate	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship	Information on prior transaction if the counterparty is a related party				Basis or reference used in setting the price	Purpose of acquisition and utilization	Other commitments
							Owner	Relationship with the issuer	Date of transfer	Amount			
Hotai Finance Co., Ltd.	New Taipei City, Sanchong District, Zhongxing Section 28-30, 34-39, Building 5F, Units ABC, and 6F, Units ABCD.	May 4, 2023	\$ 922,360	\$ 138,330	Kuo Yang Construction Co., Ltd.	Non-Related Party	-	-	-	-	Appraised by professional appraisal firm (Note 1)	Future operational requirements	None

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

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

VI. Finance Overview

Hotai Finance Co., Ltd.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Hotai Finance Co., Ltd.	Hoyun International Leasing Co., Ltd.	1	Management fee income	\$ 33,741	Transaction by contracts	0.12%
0	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	1	Management fee and other income	33,406	Transaction by contracts	0.12%
1	Hoyun International Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	3	Other receivables	259,344	Note 5	0.08%

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

Hotai Finance Co., Ltd.
Information on investees
Year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	\$ 1,240,482	\$ 1,240,482	40,400,000	50.50	\$ 2,838,396	\$ 746,395	\$ 376,930	Subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of passenger car	310,000	310,000	33,401,880	50.82	369,407	52,682	26,773	Subsidiary
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Taiwan	Installment sales of various vehicles	2,430,000	810,000	243,000,000	81.00	2,447,890	94,833	76,815	Subsidiary
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar energy business	800,000	800,000	80,000,000	80.00	732,635 (	55,168) (	44,134)	Subsidiary
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taiwan	Taxi dispatch service	120,000	120,000	12,000,000	27.40	79,151 (	43,790) (	11,997)	Associate
Hotai Finance Co., Ltd.	Ly Hour Leasing PLC	Cambodia	Leasing of car	521,985	-	5,600,000	35.00	547,724	34,961	2,143	Associate
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Taiwan	Energy storage business	22,000	22,000	2,200,000	100.00	20,968 (	571)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Zheng-Ren Energy Co., Ltd.	Taiwan	Solar energy business	86,730	31,850	8,673,000	35.00	72,315 (	19,769)	-	Associate
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Taiwan	Solar energy business	32,781	9,781	3,200,000	96.97	32,199	134	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar energy business	20,816	116	2,079,000	99.00	20,689 (	120)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Taiwan	Solar energy business	27,706	1,066	2,673,000	99.00	25,359 (	1,612)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Taiwan	Energy storage business	410,000	-	41,000,000	20.00	405,316 (	23,422)	-	Associate
He Jun Energy Co., Ltd.	Gochabar Co., Ltd.	Taiwan	Charging system technical service	36,000	-	3,600,000	30.00	29,787 (	20,709)	-	Associate
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Taiwan	Solar energy business	42,227	-	4,000,000	100.00	41,209	936	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Taiwan	Electricity retailing business	1,000	-	100,000	100.00	861 (	139)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Taiwan	Solar energy business	88,685	-	9,200,000	100.00	91,065 (	967)	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Taiwan	Solar energy business	163,017	-	10,000,000	100.00	167,823	9,325	-	Subsidiary of a subsidiary
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Taiwan	Solar energy business	474,783	-	5,000,000	100.00	473,730	24,238	-	Subsidiary of a subsidiary
Cheng Yo Technology Co., Ltd.	Hon Yang Energy Co., Ltd.	Taiwan	Solar energy business	27,037	-	2,000,000	100.00	29,644	8,038	-	Subsidiary of a subsidiary

VI. Finance Overview

Hotai Finance Co., Ltd.
Information on investments in Mainland China
Year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hoyun International Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	\$ 2,456,400	Note 1(2)	\$ 1,240,482	\$ -	\$ -	\$ 1,240,482	\$ 817,129	50.50	\$ 412,650	\$ 2,838,396	\$ 231,834	Note 2(2) B. & Note 4
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring service	216,120	Note 1(3)	-	-	-	-	24,186	50.50	12,214	146,302	-	Note 2(2) B.
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of vehicles	648,359	Note 1(3)	-	-	-	-	38,845	50.50	19,617	306,680	-	Note 2(2) B.
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing of license plate	432	Note 1(3)	-	-	-	(9)	(9)	50.50	(5)	3,193	-	Note 2(2) B.
Hangzhou Wangyou Technology Co., Ltd.	Leasing of license plate	432	Note 1(3)	-	-	-	(2)	(2)	50.50	(1)	927	-	Note 2(2) B.
Hemei International Trade (Suzhou) Co., Ltd	Goods trading business	432	Note 1(3)	-	-	-	(764)	(764)	50.50	(386)	(161)	-	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, 2023' column:

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

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

Note 4: In July 2023, the Investment Commission approved the repatriation of the surplus USD7,550 thousand of Hoyun International Leasing Co., Ltd. an investment enterprise in the Mainland China (the time of repatriation was June 2023), which was deducted from the cumulative amount of the investment in the Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Hotai Finance Co., Ltd.	\$ 1,240,482	\$ 1,241,746	\$ 23,996,903

VI. Finance Overview

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

Table 9

Name of major shareholders	Shares	
	Number of shares held(Note)	Ownership %(Note)
Hozan Investment Co.,Ltd.	257,161,874	45.39
Toyota Financial Service Corporation	130,074,859	22.96

Note: Excluding preferred stock

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

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

Statement 1

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 1,901
Checking accounts		252
Demand deposits		287,060
		<u>\$ 289,213</u>

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2023

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

Statement 2

Client	Description	Amount	Footnotes
Others	Installment notes receivable	\$ 7,792,920	Note
Others	Lease notes receivable	51,486	"
Others	Installment account receivable	268,048,587	"
Others	Lease accounts receivable	27,108	"
		<u>275,920,101</u>	
	Unrealized interest revenue	(35,039,484)	
	Unearned finance income	(3,642)	
	Allowance for bad debts	(4,079,085)	
		<u>\$ 236,797,890</u>	

Note: None of the balance of each remaining client is greater than 5% of this account balance.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

Name	Beginning as of January 1, 2023		Addition		Deductions		Balance as of December 31, 2023			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	\$2,763,900	-	\$ 376,930	-	(\$ 302,434)	40,400,000	50.50%	\$2,838,396	70.26	\$2,838,396	No	
Hoing Mobility Service Corporation	31,000,000	342,634	2,401,880	26,773	-	-	33,401,880	50.82%	369,407	11.06	369,407	"	
Hotai Mobility Service Co., Ltd.	12,000,000	91,148	-	-	-	(11,997)	12,000,000	27.40%	79,151	6.60	79,151	"	
He Jing Co., Ltd.	81,000,000	751,075	162,000,000	1,696,815	-	-	243,000,000	81.00%	2,447,890	10.07	2,447,890	"	
He Jun Energy Co., Ltd.	80,000,000	776,980	-	-	-	(44,345)	80,000,000	80.00%	732,635	9.16	732,635	"	
Ly Hour Leasing PLC	-	-	5,600,000	547,724	-	-	5,600,000	35.00%	547,724	97.81	547,724	"	
Total		<u>\$4,725,737</u>		<u>\$2,648,242</u>		<u>(\$ 358,776)</u>			<u>\$7,015,203</u>				

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Item	Balance as of January 1, 2023	Additions	Deductions	Reclassification	Balance as of December 31, 2023	Guaranteed or collateral	Footnote
<u>Cost</u>							
Land	\$ 821,223	\$ 240,240	\$ -	\$ -	\$ 1,061,463	No	
Buildings	213,666	26,954	-	-	240,620	"	
Office equipment	35,968	-	(8,489)	-	27,479	"	
Rental assets	438,116	62,495	-	(198,859)	301,752	"	
Leasehold improvements	15,578	-	-	-	15,578	"	
	<u>\$ 1,524,551</u>	<u>\$ 329,689</u>	<u>(\$ 8,489)</u>	<u>(\$ 198,859)</u>	<u>\$ 1,646,892</u>		
<u>Accumulated Depreciation</u>							
Buildings	(\$ 15,910)	(\$ 4,926)	\$ -	\$ -	(\$ 20,836)	"	
Office equipment	(33,969)	(951)	8,392	-	(26,528)	"	
Rental assets	(262,657)	(104,510)	2,437	189,822	(174,908)	"	
Leasehold improvements	(13,680)	(1,739)	-	-	(15,419)	"	
	<u>(\$ 326,216)</u>	<u>(\$ 112,126)</u>	<u>\$ 10,829</u>	<u>\$ 189,822</u>	<u>(\$ 237,691)</u>		
Book value	<u>\$ 1,198,335</u>				<u>\$ 1,409,201</u>		

Description: Listed according to land, buildings, machinery and other categories.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 5

Item	Balance as of January 1, 2023	Additions	Deductions	Reclassifications	Balance as of December 31, 2023	Guaranteed or collateral	Footnote
<u>Cost</u>							
Land	\$ 357,858	\$ -	\$ -	\$ -	\$ 357,858	No	
Buildings	<u>101,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,888</u>	"	
	<u>\$ 459,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,746</u>		
<u>Accumulated Depreciation</u>							
Buildings	(\$ 14,686)	(\$ 2,850)	\$ -	\$ -	(\$ 17,536)	"	
Book value	<u>\$ 445,060</u>				<u>\$ 442,210</u>		

Description: Listed according to land and buildings.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2023

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

Statement 6

Type of borrowings	Description	Balance as of December 31, 2023	Contract Period	Pledges or collaterater
Secured borrowings	First Commercial Bank	\$ 3,500,000	2023/10/13~2024/1/11	Yes
"	Mega International Commercial Bank	2,500,000	2022/5/3~2025/5/2	"
Unsecured borrowings	Yuanta Commercial Bank Co., Ltd.	2,000,000	2023/10/31~2024/1/24	No
"	China Construction Bank	1,000,000	2023/9/20~2024/3/20	"
"	Bank of Taiwan	6,725,000	2023/8/4~2026/2/24	"
"	MUFG Bank, Ltd.	3,874,000	2023/5/2~2025/5/2	"
"	Mizuho Bank, Ltd.	12,887,500	2021/9/30~2024/12/6	"
"	E.SUN Commercial Bank, Ltd.	3,759,070	2023/9/7~2024/9/6	"
"	Cathay United Bank	600,000	2023/10/13~2024/1/12	"
"	DBS Bank Ltd.	5,471,800	2022/9/12~2024/11/5	"
"	Taishin International Bank	500,000	2023/12/25~2024/1/25	"
"	CTBC Bank Co., Ltd.	12,056,600	2022/8/30~2025/6/27	"
"	Far Eastern International Bank Co., Ltd.	1,000,000	2022/8/24~2025/8/22	"
	Valuation adjustment	(740,945)		
		<u>\$ 55,133,025</u>		

Note: Before the cross-currency swap, the rate range of short-term loans were 0.49%~6.33% and 0.83%~2.32% respectively.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2023

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

Statement 7

Description	Amount	Period
Guarantee commercial papers		
Sumitomo Mitsui Banking Corporation	\$ 10,000,000	2023/2/24~2025/1/3
Mizuho Bank, Ltd.	10,000,000	2023/10/5~2024/1/25
Crédit Agricole Corporate and Investment Bank	1,500,000	2023/2/9~2024/2/9
Metropolitan Bank	1,400,000	2023/12/25~2024/1/24
CTBC Bank Co., Ltd.	7,943,400	2022/6/29~2025/6/27
International Bills Finance Corporation	300,000	2023/12/28~2024/1/15
Taiwan Finance Coproration	150,000	2023/12/27~2024/1/16
MEGA Bills Finance Co., Ltd.	300,000	2023/12/27~2024/1/16
Non-guarantee commercial papers	91,090,000	2021/1/12/~2028/12/18
Less: Unamortized discount	(119,392)	
	<u>\$ 122,564,008</u>	

Notes: Interest rate between 0.70% and 2.05%.

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 8

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Interest revenue		\$ 16,549,938	
Service revenue		1,232,040	
Sales revenue		674,733	
Finance leasing revenue		3,964	
Operating leasing revenue		117,436	
		<u>\$ 18,578,111</u>	

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 9

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Cost of sales		\$ 2,559,997	
Interest costs		3,085,587	
Rental costs		107,322	
Service costs		399,688	
Other costs		106	
		<u>\$ 6,152,700</u>	

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 10

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commission expenses		\$ 2,953,689	
Wages and salaries		886,068	
Other expenses		<u>248,244</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 4,088,001</u>	

VI. Finance Overview

HOTAI FINANCE CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 11

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 614,508	
Court fees		181,218	
Other expenses		<u>414,092</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 1,209,818</u>	

VI. Finance Overview

HOTAI FINANCE CO., LTD.

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 12

Function Nature	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ -	\$ 1,500,576	\$ 1,500,576	\$ -	\$ 1,246,203	\$ 1,246,203
Labour and health insurance fees	-	109,351	109,351	-	92,955	92,955
Pension costs	-	57,409	57,409	-	49,488	49,488
Directors' remuneration	-	5,509	5,509	-	4,083	4,083
Other personnel expenses	-	100,266	100,266	-	71,164	71,164
Depreciation	\$ 104,511	\$ 34,217	\$ 138,728	\$ 160,546	\$ 36,275	\$ 196,821

Note:

- A. As of December 31, 2023 and 2022, the number of employees was 1,137 and 1,027, respectively, including 9 and 9 non-employee directors, respectively.
- B. Average employee benefit expense in current year was \$1,567 ((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 \$1,434 ((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 \$1,330 (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 \$1,224 (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 8.66% ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).

HOTAI FINANCE CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

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.

VI. Finance Overview

- 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	2022	2023	Change	
			Amount	%
Current Assets	236,804,466	284,254,876	47,450,410	20.04%
Non-current assets	18,560,622	27,884,836	9,324,214	50.24%
Total Assets	255,365,088	312,139,712	56,774,624	22.23%
Current Liabilities	221,376,661	270,124,770	48,748,109	22.02%
Non-current liabilities	1,095,413	2,020,104	924,691	84.41%
Total Liabilities	222,472,074	272,144,874	49,672,800	22.33%
Share Capital	5,650,004	6,665,004	1,015,000	17.96%
Capital Surplus	12,510,367	17,011,275	4,500,908	35.98%
Retained Earnings	11,222,599	12,536,225	1,313,626	11.71%
Other Equity Interest	98,329	-114,895	-213,224	-216.85%
Non-controlling Interest	3,411,715	3,897,229	485,514	14.23%
Total Equity	32,893,014	39,994,838	7,101,824	21.59%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of changes in the percentage in the last two years:

1. Change in Current Assets by 20.04%: Due to the increase in notes and accounts receivable as a result of the growth in revenue.
2. Change in Non-Current Assets by 50.24%: 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 22.02%: 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 84.41%: Due to the increase in long-term borrowings to meet capital requirements as a result of the growth in business.
5. Change in Capital Surplus by 35.98%: Due to the issuance of additional preferred shares for cash capital increase.
6. Change in Other Equity by -216.85%: Due to the decrease in the gains on cash flow hedge instruments

VII. Financial Status, Operating Results and Risk Management

7.1.2 IFRS (Individual)

Unit: NT\$ thousands

Item \ Year	2022	2023	Change	
			Amount	%
Current Assets	198,357,583	229,446,754	31,089,171	15.67%
Non-current assets	14,006,421	20,320,298	6,313,877	45.08%
Total Assets	212,364,004	249,767,052	37,403,048	17.61%
Current Liabilities	182,475,121	213,278,609	30,803,488	16.88%
Non-current liabilities	407,584	390,834	-16,750	-4.11%
Total Liabilities	182,882,705	213,669,443	30,786,738	16.83%
Share Capital	5,650,004	6,665,004	1,015,000	17.96%
Capital Surplus	12,510,367	17,011,275	4,500,908	35.98%
Retained Earnings	11,222,599	12,536,225	1,313,626	11.71%
Other Equity Interest	98,329	-114,895	-213,224	-216.85%
Total Equity	29,481,299	36,097,609	6,616,310	22.44%

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 45.08%: 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 due to the participation in cash capital increase of HE JING CO., LTD., and the increase in property, plants, and equipment as a result of the acquisition of office space.
2. Change in Capital Surplus by 35.98%: Due to the issuance of additional preferred shares for cash capital increase.
3. Change in Other Equity by -216.85%: Due to the decrease 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	2022	2023	Change	
			Amount	%
Operating Revenue	22,787,250	28,660,435	5,873,185	25.77%
Operating Costs	8,174,315	11,967,337	3,793,022	46.40%
Gross Profit	14,612,935	16,693,098	2,080,163	14.24%
Operating Expenses	9,862,531	11,467,164	1,604,633	16.27%
Operating Profit	4,750,404	5,225,934	475,530	10.01%
Non-Operating Income and Expenses	606,114	305,277	-300,837	-49.63%
Profit Before Tax	5,356,518	5,531,211	174,693	3.26%
Income Tax Expense	1,286,934	1,439,055	152,121	11.82%
Net Income	4,069,584	4,092,156	22,572	0.55%
Other Comprehensive Income (Loss)	281,385	-280,445	-561,830	-199.67%
Comprehensive Income	4,350,969	3,811,711	-539,258	-12.39%

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 25.77%: Due to the increase in operating revenue as a result of the growth in business.
2. Change in Operating Costs by 46.40%: Due to the increase in operating costs as a result of the growth in business.
3. Change in Non-Operating Income and Expenses by -49.63%: Due to the decrease in local tax subsidies recognized by the subsidiary ASIAN LOGISTICS CO., LTD.
4. Change in Other Comprehensive Income for the Period by -199.67%: 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.

VII. Financial Status, Operating Results and Risk Management

7.2.2 IFRS (Individual)

Unit: NT\$ thousands

Item \ Year	2022	2023	Change	
			Amount	%
Operating Revenue	15,235,369	18,578,111	3,342,742	21.94%
Operating Costs	3,822,962	6,152,700	2,329,738	60.94%
Gross Profit	11,412,407	12,425,411	1,013,004	8.88%
Operating Expenses	7,269,389	8,155,898	886,509	12.20%
Operating Profit	4,143,018	4,269,513	126,495	3.05%
Non-Operating Income and Expenses	458,482	527,995	69,513	15.16%
Profit Before Tax	4,601,500	4,797,508	196,008	4.26%
Income Tax Expense	978,113	1,107,696	129,583	13.25%
Net Income	3,623,387	3,689,812	66,425	1.83%
Other Comprehensive Income (Loss)	255,500	-213,224	-468,724	-183.45%
Comprehensive Income	3,878,887	3,476,588	-402,299	-10.37%
<p>Note: Analysis is not required if the percentage change does not exceed 20%. Analysis of percentage changes in the last two years:</p> <ol style="list-style-type: none"> 1. Change in Operating Revenue by 21.94%: Due to the increase in operating revenue as a result of the growth in business. 2. Change in Operating Costs by 60.94%: 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 Other Comprehensive Income for the Period by -183.45%: 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. 				

7.2.3 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	2022	2023	Change	
			Amount	%
Cash from Operating Activities	(44,038,878)	(44,771,103)	(732,225)	1.66%
Cash from Investing Activities	(2,547,415)	(5,422,872)	(2,875,457)	112.88%
Cash from Financing Activities	47,820,744	50,736,564	2,915,820	6.10%
<p>Analysis of percentage changes:</p> <ol style="list-style-type: none"> 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. The increase in cash outflow from investing activities is mainly due to the increase in the purchase of lease assets and equity for reinvestment. The increase in cash inflow from financing activities is mainly due to an increase in short-term bills and short-term borrowings, and issuance of corporate bonds and preferred shares. 				

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
2,878,184	(60,042,066)	(6,262,273)	65,358,983	1,932,828	-	-
<p>(1) Analysis of projected cash flows for 2023:</p> <ol style="list-style-type: none"> Outflows from Operating Activities: Due to the increase in accounts receivable as a result of the expected growth in business. Outflows from Investing Activities: Due to the increase in office equipment as a result of the expected growth in business. Inflows from Financing Activities: Due to the borrowing for funds and the issuance of corporate bonds to support the expansion of business. <p>(2) Measures for managing potential cash deficit and liquidity analysis: the Group currently does not have any cash deficit issues.</p>						

VII. Financial Status, Operating Results and Risk Management

7.4 Impact of Major Capital Expenditures in the Last Fiscal Year on the Financial Operations of the Company

In addition to the purchase of office space for operations, the other capital expenditures of the Group in the most recent year were all routine leasing operations, and the lease assets were obtained, and there was no material adverse effect on the financial business.

7.4.1 Utilization of major capital expenditures and sources of funds:

Subject Matters	Time	Source of Funds	Amount
Purchase of office space	May 2023	Self-owned capital	NT\$ 922,360 thousand
Purchase of office space	September 2023	Self-owned capital	NT\$ 268,000 thousand

7.4.2 Expected benefits:

Due to the need for business expansion and overall management, the Group has consolidated its business locations to maximize operational synergy.

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 FY2024

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 2023	Reasons for Gains (Losses) and Improvement Plan	Future Investment Plan
Hoyun International Limited	Investment	1,240,482	376,930	This is a healthy business that continues to grow at a steady pace and generates profits.	-
HEJING Co., Ltd.	vehicle installment business	2,430,000	76,815	This is a healthy business that continues to grow at a steady pace and generates profits.	-
HEJUN Energy Co., Ltd.	Solar power generation related business	800,000	(44,134)	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	26,773	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	(11,997)	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.	-
LY HOUR LEASING PLC	Leasing of car	521,985	2,143	It is in good operating condition and is expected to continue to operate smoothly, resulting in profits.	-

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 2023 were 4,522,930 thousand, which accounted for 15.78% 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	2023
Foreign Exchange Gains (Losses)	(18,236)
Net Operating Revenue	28,660,435
Operating Margin	5,225,934
Foreign Exchange Gains (Losses) to Net Operating Revenue Ratio	(0.06%)
Foreign Exchange Gains (Losses) to Operating Margin Ratio	(0.35%)

- 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

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

on the financial conditions of HFC and its subsidiaries. All the lending activities in 2023 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

Financial Condition and Operations of the Company as well as Risk Management Measures

In 2023, 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

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 2023. 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

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

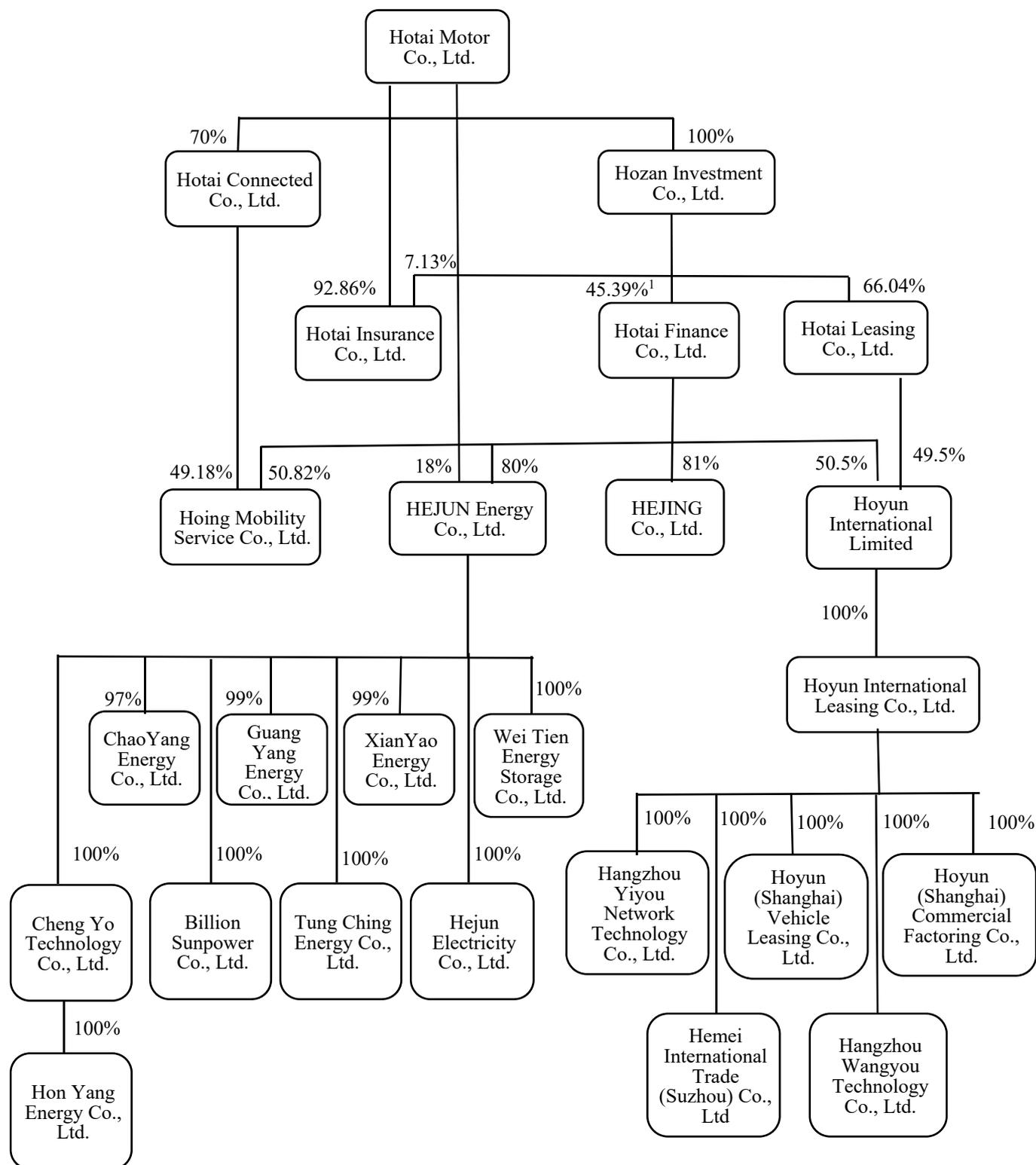
7.6.13 Other Material Risks and Risk Management Measures: N/A

7.7 Other Material Disclosures: N/A

VIII. Specific Notes

8.1 Subsidiaries

8.1.1 Corporate Group Structure (as of December 31, 2023)



Note: Excluding preferred stocks.

VIII. Specific Notes

8.1.2 Profiles of Subsidiaries

As of December 31, 2023

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Hoyun International Limited	2006/1/27	Wickhams Cay II, Road Town, Tortola, British Virgin Islands	US\$80,000,000	General investment
Hoyun International Leasing Co., Ltd.	2007/1/29	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.	2014/8/7	Room A72, 1F, No. 477, Fute West 1 st Rd., Pilot Free Trade Zone, Shanghai, China	RMB\$50,000,000	Factoring service
Hoyun (Shanghai) Vehicle Leasing Ltd.	2021/2/8	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.	2021/1/27	(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.	2021/1/28	(hosting 20550) Room 2102-1, No. 258 Zhonghe Middle Road, Shangcheng District, Hangzhou City, Zhejiang Province	RMB\$100,000	Leasing business
Hemei International Trade (Suzhou) Co., Ltd	2022/6/30	Room 2102, Building 1, No. 456 East Suzhou Avenue, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	RMB\$100,000	Goods trading business
HEJING Co., Ltd.	2021/10/26	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$3,000,000,000	Installment sales of various vehicles
Hoing Mobility Service Co. Ltd.	2018/10/24	5F, No. 99, Sec. 2, Chang'an E Rd., Zhongshan Dist., Taipei City	NT\$657,262,800	Leasing of passenger car
HEJUN Energy Co., Ltd.	2022/2/22	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$1,000,000,000	Solar energy business
Guang Yang Energy Co., Ltd.	2010/8/10	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$21,000,000	Solar energy business
Chaoyang Energy Co., Ltd.	2019/11/6	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$33,000,000	Solar energy business
XianYao Energy Co., Ltd.	2021/4/13	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$27,000,000	Solar energy business
Wei Tien Energy Storage Co., Ltd.	2021/11/18	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$22,000,000	Energy storage business
Hejun Electricity Co., Ltd.	2023/3/8	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$1,000,000	Electricity retailing business
Tung Ching Energy Co., Ltd.	2017/6/21	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$40,000,000	Solar energy business
Tung Ching Green Energy Co., Ltd.	2017/3/2	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$92,000,000	Solar energy business
Billion Sunpower Co., Ltd.	2016/11/10	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$100,000,000	Solar energy business
Cheng Yo Technology Co., Ltd.	2016/11/16	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$50,000,000	Solar energy business
Hon Yang Energy Co., Ltd.	2016/7/18	10F, No.605, Ruiguang Rd, Neihu Dist, Taipei, Taiwan	NT\$20,000,000	Solar energy business

8.1.3 Information on the overlapping shareholders of any entity which is considered

VIII. Specific Notes

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, 2023

Company Name	Title	Names/Representatives	Share Ownership	
			Number	Percentage
Hoyun International Limited	Director	Shyh-Pan Su; Wen-Jui Huang; Wen-Shen Ko	40,400	50.5%
Hoyun International Leasing Co., Ltd.	Director	Hoyun International Limited, represented by Yen-Liang Lin, Ryan Huang, Chwen-Shing Su, Jia-Feng Lee, and Shin Abe	(note)	50.5%
	Supervisor	Hoyun International Limited, represented by Wang-Teh Ko		
	President	Jia-Feng Lee		
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Managing Director	Hoyun International Leasing Co., Ltd., represented by Yen-Liang Lin	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Wang-Teh Ko		
Hoyun (Shanghai) Vehicle Leasing Ltd.	Managing Director	Hoyun International Leasing Co., Ltd., represented by Yen-Liang Lin	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Wang-Teh Ko		
Hangzhou Yiyou Network Technology Co., Ltd	Managing Director	Hoyun International Leasing Co., Ltd. represented by Jia-Feng Lee	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Wang-Teh Ko		
Hangzhou Wangyou Technology Co., Ltd.	Managing Director	Hoyun International Leasing Co., Ltd. represented by Jia-Feng Lee	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Wang-Teh Ko		
Hemei International Trade (Suzhou) Co., Ltd.	Managing Director	Hoyun International Leasing Co., Ltd. Representative: Jia-Feng Lee	(note)	50.5%
	Supervisor	Hoyun International Leasing Co., Ltd., represented by Shou-Shin Chen		
HEJING Co., Ltd.	Director	Hotai Finance Co., Ltd. represented by Liu, Yuan-Sheng, Yen-Liang Lin, and Wen-Chun Liao	243,000	81%
	Supervisor	Hozao Enterprise Co., Ltd., represented by Kan Ting		
	President	Yen-Liang Lin		
Hoing Mobility Service Co. Ltd.	Director	Hotai Cyber Connection Co., Ltd., represented by Fred Hsieh, Nan-Guang Huang, Chwen-Shing Su, Leon Soo, Cheng-yang Huang, Yan-liang Lin, and Shin Abe	33,402	50.82%
	Supervisor	Hotai Finance Co., Ltd. represented by Kazuo Naganuma, and Se-I Su		
	President	Fred Hsieh		
HEJUN Energy Co., Ltd.	Director	Hotai Finance Co., Ltd. represented by Yuan-Sheng Liu, Yen-Liang Lin, Chia-Yen	80,000	80%

VIII. Specific Notes

Company Name	Title	Names/Representatives	Share Ownership	
			Number	Percentage
		Wu		
	Supervisor	Hotai Motor Co., Ltd. represented by Charles Huang		
	President	Yang-Liang Lin		
Guang Yang Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	2,079	99.00%
	Supervisor	Kai-Jung Yang		
ChaoYang Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	3,200	96.97%
	Supervisor	Kai-Jung Yang		
XianYao Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	2,673	99.00%
	Supervisor	Kai-Jung Yang		
Wei Tien Energy Storage Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	2,200	100%
Hejun Electricity Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	100	100%
Tung Ching Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	4,000	100%
Tung Ching Green Energy Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	9,200	100%
Billion Sunpower Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	10,000	100%
Cheng Yo Technology Co., Ltd.	Director	HEJUN Energy Co., Ltd. represented by Yang-Liang Lin	5,000	100%
Hon Yang Energy Co., Ltd.	Director	Cheng Yo Technology Co., Ltd. represented by Yang-Liang Lin	2,000	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	5,619,342	—	5,619,342	—	—	746,395	Note 1
Hoyun International Leasing Co., Ltd.	US\$80,000	37,488,964	31,869,622	5,619,342	4,298,198	850,366	817,129	Note 1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	RMB\$50,000	1,124,291	834,583	289,708	84,932	31,682	24,186	Note 1
Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	RMB\$150,000	665,282	57,995	607,287	163,598	44,721	38,845	Note 1
Hangzhou Yiyou Network Technology Co., Ltd.	RMB\$100	6,323	—	6,323	—	(7)	(9)	Note 1
Hangzhou Wangyou Technology Co., Ltd.	RMB\$100	1,835	—	1,835	—	(3)	(2)	Note 1
Hemei International Trade (Suzhou) Co., Ltd.	RMB\$100	3,899	4,217	(318)	—	(766)	(764)	Note 1
HEJING Co., Ltd.	3,000,000	21,768,491	18,746,404	3,022,087	966,968	97,188	94,833	0.32
Hoing Mobility Service Co. Ltd.	657,263	5,390,932	4,664,039	726,893	4,603,545	16,405	52,682	0.80
HEJUN Energy Co., Ltd.	1,000,000	3,118,271	2,202,398	915,873	99,024	(51,326)	(55,168)	(0.55)
Guang Yang Energy Co., Ltd.	21,000	67,350	46,452	20,898	7,197	(194)	(120)	(0.06)
ChaoYang Energy Co., Ltd.	33,000	96,698	63,490	33,208	9,856	85	134	0.04
XianYao Energy Co., Ltd.	27,000	57,333	31,717	25,616	4,648	(1,671)	(1,612)	(0.60)
Wei Tien Energy Storage Co., Ltd.	22,000	80,303	59,335	20,968	3,963	(588)	(571)	(0.26)
Hejun Electricity Co., Ltd.	1,000	861	—	861	—	(143)	(139)	(1.39)
Tung Ching Energy Co., Ltd.	40,000	98,677	57,468	41,209	10,477	1,091	936	0.23
Tung Ching Green Energy Co., Ltd.	92,000	203,084	112,019	91,065	14,901	(1,118)	(967)	(0.11)
Billion Sunpower Co., Ltd.	100,000	170,492	59,453	111,039	29,369	11,613	9,325	0.93
Cheng Yo Technology Co., Ltd.	50,000	425,679	346,485	79,194	85,001	18,451	24,238	4.85
Hon Yang Energy Co., Ltd.	20,000	142,454	112,810	29,644	28,105	9,425	8,038	4.02

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, 2023 (USD:TWD=1: 30.7050; CNY:USD =1: 7.1037); figures in the income statement are converted based on the average exchange rates for the period from January 1, 2023 to December 31, 2023 (USD : TWD=1 : 31.1548 ; CNY : USD =1 : 7.0819)

VIII. Specific Notes

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, 2023 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.

Yuan-Sheng Liu

Chairman

March 12, 2024

VIII. Specific Notes

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, 2023 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.

Yuan-Sheng Liu

Chairman

March 12, 2024

VIII. Specific Notes

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, 2023 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, 2023 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, 2023, and have not found any material inconsistencies in the above representation.

Chun-Yuan Hsiao

Auditor

Chia-Hung Lin

Auditor

PricewaterhouseCoopers Taiwan

Financial Supervisory Commission

Release No.: Jin Guan Zheng Liu Zi 0960042326

Securities and Futures Bureau, Financial Supervisory Commission (formerly under the Executive Yuan)

Release No.: Jin Guan Zheng Shen Zi 1080323093

March 12, 2024

VIII. Specific Notes

Hotai Finance Co., Ltd.

2023 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	257,161,874	45.39%	-	Chairman	Yuan-Sheng Liu
					Director	Chwen-Shing Su
					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 2023 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	4F, Yanxiu Building, No. 10, Mingjhong St., Xinzhuang Dist., New Taipei City	January 2021 to December 2023 (Note 3)	Capitalized	Same as the average leases	Wire transfer	Comparable	\$ 3,814	-

Note 1: It should be stated whether the nature is a capital lease or an operating lease. In accordance with IFRS 16, the Company recognizes the right-of-use assets at the starting date of leases and measures them at cost.

Note 2: If other rights are created, such as superficies, pledges, and easement, it shall be specified.

Note 3: The original lease is up to 2023/12/31, and the board of directors resolved on 2023/12/14 to extend the lease to 2026/12/31.

(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\$ 87,799	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

- 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>