

Stock code: 6592



HOTAI FINANCE CORPORATION

2024

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 Co., Ltd. annual report is available at:
Taiwan Stock Exchange Market Observation Post System
<https://mops.twse.com.tw>
Company website: <https://www.hfcfinance.com.tw>

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Spokesperson: Kai-Jung Yang

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Tel: (02)2502-4567

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Acting Spokesperson: Wei Lin

Title: Senior Manager

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II. Addresses and Telephone Numbers of Head Office and Branch Offices

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Tel: (02)2502-4567

III. Stock Transfer Agency

Name: Department of Stock Affairs Agency, Taishin Securities

Address: B1., No. 96, Sec. 1, Jianguo N. Rd., Taipei, Taiwan

Tel: (02)2504-8125

Website: <https://www.tssco.com.tw>

IV. CPAs for the Latest Annual Financial Report

CPAs: Chun-Yuan Hsiao, Chia-Hung Lin

Accounting Firm: PricewaterhouseCoopers Taiwan

Address: 27 F., No. 333, Sec. 1, Keelung Rd., Taipei 11012, Taiwan













Tel: (02)2729-6666

Website: <https://www.pwc.tw>

V. Name of the exchange where the overseas securities are listed and traded and the method to inquire about the information of the overseas securities: None.

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

Honors and Recognition

Honors	Description	Organizer/Label
Top 20% of the 10th Corporate Governance Evaluation	4th consecutive year	 臺灣證券交易所
Constituent Stock of the Corporate Governance 100 Index	Selected for the 4th consecutive year	 臺灣證券股份有限公司 TAIWAN INDEX PLUS 指數證券・加值創業
Constituent Stock of the Taiwan High Compensation 100 Index	Selected for the first time	 臺灣證券股份有限公司 TAIWAN INDEX PLUS 指數證券・加值創業
2024 CommonWealth Magazine Excellence in Corporate Social Responsibility - Top 100 in Sustainability Performance	Ranked 19th in Large-scale Corporate Services for ESG Comprehensive Performance	
2024 Taiwan Corporate Sustainability Awards (TCSA) Taiwan's Top 100 Sustainability Model Enterprises	Top 100 Companies in Taiwan for ESG Comprehensive Performance	 台灣企業永續獎委員會 Taiwan Corporate Sustainability Awards Executive Committee
2024 Taiwan Corporate Sustainability Awards (TCSA) Sustainability Report Platinum Award	Recognition for report for the 4th consecutive year	 台灣企業永續獎委員會 Taiwan Corporate Sustainability Awards Executive Committee
1111 Job Bank Happy Enterprise - Gold Award	Awarded for the first time Creating a happy workplace	
2024 Ministry of Transportation And Communications Golden Safety Award	Successful promotion of safe motorcycle lanes Recognized by the competent authority	
2024 AREA Asia CSR Award Social Welfare Development Award	Motorcycle lane safety project recognized for 3rd consecutive year	
2024 TSAA Taiwan Sustainability Awards Social Inclusion Silver Award	Motorcycle lane safety project recognized for 2nd consecutive year	 台灣企業永續獎委員會 Taiwan Corporate Sustainability Awards Executive Committee
2024 British Chamber of Commerce in Taipei Outstanding Enterprise Contribution Award	Awarded for the first time Recognition for the motorcycle lane safety project	
2024 Businessweek's Carbon Competitiveness Top 100	Selected for the 3rd consecutive year Highly competitive carbon production capacity	

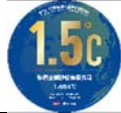




Honors	Description	Organizer/Label
2024 Commonwealth Magazine 1.5°C Temperature Control Label	Listed in performance of excellence	
2024 Small and Medium Enterprise and Startup Administration, MOEA, BuyingPower Social Innovation Procurement Award Participant	Procurement of social innovation products exceeding over NT\$1 million for the 2nd consecutive year	
2024 China Finance Leasing List - Outstanding Achievement Award (Hoyun International leasing)	2nd consecutive year	
CCX Heyi CNABS 9th Golden Laurel Award Most Innovative Breakthrough Product Award (Hoyun International leasing)	Awarded for the first time	
2024 Taiwan Alumni Association in Shanghai - Star of Association (Hoyun International leasing)	Awarded for the second time	
51Job.com - Outstanding Employer (Hoyun International leasing)	Awarded for the first time	

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I. Letter to Shareholders

Review of Operating Achievements in 2024

In 2024, the global economy witnessed a slowdown in growth. Despite easing inflationary pressures, rising geopolitical tensions and trade protectionism posed challenges to the global economy. Benefiting from the demand for AI, Taiwan achieved relatively outstanding results in its economic performance, with an annual economic growth rate of 4.59%, an increase of 3.28 percentage points from the growth rate in 2023 of 1.31%. Despite the adversity of rising capital costs and tighter policy regulations, HFC continued to strengthen its quality control of various products, sought new sources of income, and reduced expenses, securing a revenue of NT\$29 billion, a slight increase from last year; consolidated retained assets of approximately NT\$330 billion, an increase of 5% from last year; consolidated after-tax income of NT\$3.3 billion; and EPS of NT\$4.44 per share.

In the core business of automobile installment, in the face of progressive market competitors such as banks and the leasing industry as well as adjustments in government regulatory policies, HFC has continued to introduce diversified and customized installment projects in response to the rapid changes in the market, in order to secure cooperation with Toyota, Lexus, various brand dealers, and used car dealers. The overall automobile installment business remained robust. With respect to the corporate finance business, we continued to expand our business through in-depth cultivation of supplier channels and specialized industry knowledge to enhance service quality. For the motorcycle installment market, we continued to expand our market share by optimizing product policies, strengthening customer retention, and providing dedicated and high-quality services. In terms of the product installment segment, we have developed 3C, aesthetic medicine, home appliances, renovation, and auto warranty businesses, and continued to expand online/offline and Pay4U merchandise product services to satisfy the needs of different customer groups for consumer installments towards an installment ecosystem that meets the needs of consumers in their daily lives. With the expansion of business scale, the retained assets of HFC reached NT\$255 billion in 2024, representing a growth of 2% over last year.

In 2024, in the absence of the stimulus of the old vehicle replacement policy, and under the influence of the forward shift in demand for home delivery logistics in the year of pandemic outbreak, the number of commercial vehicle sales continued to decrease, and the overall number of commercial vehicle sales was approximately 17,000 units, about 89% compared to last year. In spite of poor sales in the new vehicle market, HEJING CO., LTD. actively developed the used vehicle and peripheral corporate banking business, achieving a second consecutive domination of the heavy vehicle installment market, and securing a steady growth in retained assets in an amount exceeding NT\$25 billion, an increase of 23% over last year.

Hotai Finance Development was officially opened in March 2024, with rapid business development. The company's retained assets are expected to exceed NT\$10 billion in the first anniversary of its operation, setting an outstanding record. The team size has expanded rapidly. It has completed the construction of six locations throughout Taiwan with 130 employees, demonstrating the company's vigorous development.

I. Letter to Shareholders

With respect to the green energy industry, as a full-service energy company that creates, charges, stores and sells energy, HEJUN Energy has continued to increase its case retention capacity through self-construction, mergers and acquisitions, and has reached a record high in solar energy and energy storage contracted capacity, with power generation doubling compared to that in 2023. It acquired a shareholding in GRINNODOT (SunnyFounder) for strategic cooperation, expanding its operation in various types of segments; continued to construct charging piles under its own brand EV Run in order to support the Group's deployment in the electric vehicle market. Meanwhile, the subsidiary HEJUN Electricity has begun to supply green power to Hotai Finance's own offices in an attempt to continue to expand business opportunities arising from net-zero carbon emissions.

Overseas markets also continued to demonstrate a steady growth. China's overall economic policy continued the principle of “stabilization” of the past three years, actively promoting industrial upgrading by stabilizing the real economy and promoting employment. In 2024, Hoyun International Leasing Co., Ltd. steadily expanded its automobile leasing business and deepened its cooperation with local automobile manufacturers; its equipment leasing business focused on SMEs and continued to diversify into photovoltaic, medical and high-quality existing customers. In 2024, the company's retained assets amounted to approximately RMB10 billion, representing a 14% growth from last year, demonstrating steady business growth and market expansion capability.

In respect of operation in Cambodia, the microfinance license has been obtained. The company has been upgraded to a “MFI microfinance company” and changed its name to HFC (Cambodia) Microfinance PLC., striving to become one of the top three MFI microfinance companies in Cambodia within five years.

2025 Business Plan and Future Prospect

Looking ahead to 2025, the aggressive trade policies promulgated by the new U.S. administration have brought new uncertainties to the global economic situation. However, Taiwan's exports and domestic demand are growing steadily, with relatively resilient economic performance. The stable economic environment is conducive to HFC's sustainable business development. With the gradual clarification of regulatory policies in the finance and leasing industry, coupled with cost control and diversified business deployment, the Company will continue to deliver more remarkable results.

In response to future business growth, we will continue to strengthen cooperation in the vehicle installment business, plan diversified and differentiated installment projects, and increase the penetration rate of each brand; expand close cooperation with various used car channels, and expand HFC's used car installment business. In terms of the corporate finance business, we will continue to focus on four major industry sectors, namely, medical equipment, construction equipment, manufacturing and processing equipment, and corporate finance, and cultivate the local customer base. In the two-wheeled installment market for motorcycles and scooters, we will expand the cooperation between various brands and channels to increase the penetration rate. In the product installment business, we will actively develop online and offline brand channels, and create a cross-platform digital ecosystem by combining with the existing CR to provide more diversified financial services.

I. Letter to Shareholders

HEJING CO., LTD. will actively expand and strengthen its business in the used car market and heavy vehicle peripheral corporate banking business, so as to stabilize its position as the No.1 heavy vehicle installment company, as well as maintain steady growth in retained assets and profitability. While stabilizing the core business, the company will continue to enhance its competitiveness through diversified operating models to lay the foundation for future market growth.

In adherence to the spirit of excellence, Hotai Finance Development will continue to focus on the corporate finance sector and continue to strengthen its close relationship with existing customers. At the same time, it will actively expand its business presence by attracting the best corporate finance talent from different sectors, so as to build a team of outstanding professionals, step up its efforts to achieve the goal of becoming a leading company in the industry, and strive to gain profits in the second year of its establishment.

HEJUN Energy will continue to expand the size of its portfolio through self-construction, mergers and acquisitions, and active participation in public and private tenders. At the same time, it will actively engage in research and cooperation opportunities in different types of renewable energy such as wind power and geothermal energy; expand its renewable energy power sales business in order to continue to increase the revenue from the sale of electricity. The company will continue to expand the operations of its own charging pile brand EV Run. It will integrate the Group's resources to create comprehensive green energy services.

Hoyun International Leasing's annual target in the China market is to focus on steady expansion. In the face of changes in the market environment, the company will continue to deepen its cooperation with local automobile manufacturers, cultivate the regional industrial chains, and further strengthen its risk management capabilities. At the same time, it will actively improve its digital management system to enhance operational efficiency, thereby contributing to the continuous improvement of business development and operational efficiency.

In 2025, despite the uncertainties in the macroeconomy, the Company's capital cost and the quality of capital products are expected to stabilize under increasingly normalized industry and interest rate environment. HFC will adhere to the business philosophy of "customer first and professionalism", 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 Governance Report

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

2.1.1 Directors

March 29, 2025

Title	Nationality/Place of Registration	Name	Gender Age	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 of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chairman	Taiwan	Hozan Investment Co, Ltd. Representative Yuan-Sheng Liu	Male 61~70	May 29, 2024	3 years	June 23, 2012	257,161,874	45.39%	282,879,511	45.40%		-	-	-	-	Master's in Sanminism, National Chengchi University Executive Vice President, Hotai Motor Co., Ltd.	Chairman, Hotai Leasing 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	Taiwan	Hozan Investment Co, Ltd. Representative Chwen-Shing Su	Male 51~60	May 29, 2024	3 years	June 25, 2002	257,161,874	45.39%	282,879,511	45.40%		-	-	-	-	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. Vice Chairman, Kuozui Motors 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, 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.	-	-	-

II. Corporate Governance Report

Title	Nationality/Place of Registration	Name	Gender Age	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 of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship
Director	Taiwan U.S.A.	Hozan Investment Co, Ltd. Representative ROGER HUANG	Male 41~50	May 29, 2024	3 years	May 29, 2019	257,161,874	45.39%	282,879,511	45.40%	-	-	-	-	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.	-	-	-
Director	Taiwan	Hozan Investment Co, Ltd. Representative Leon Soo	Male 51~60	May 29, 2024	3 years	June 29, 2015	257,161,874	45.39%	282,879,511	45.40%	-	-	-	-	Wharton School of the University of Pennsylvania Director, Hotai Motor Co., Ltd.	Chairman, Golden Orange Corporation 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	-	-	-

II. Corporate Governance Report

Title	Nationality/Place of Registration	Name	Gender Age	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 of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship
Director	Taiwan	Hozan Investment Co., Ltd. Representative Ryan Huang	Male 41~50	May 29, 2024	3 years	June 23, 2009	257,161,874	45.39%	282,879,511	45.40%	-	-	-	-	Kellogg School of Management and Hong Kong University of Science and Technology, MBA Vice Chairman, Hoyun International Leasing Co., Ltd.	Chairman, Shanghai Fengyi Construction Decoration Limited Company 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. Managing Director and President, Shanghai Ho-Mian Auto Technology Co., Ltd. Managing Director, Shanghai Hochen Auto Technology Co., Ltd. Managing Director, Shanghai Zhongxin Traffic Facility Engineering Co., Ltd. Managing Director, Tianjin Yongda Communication Technology Co., Ltd. Director, Tianjin Ho-Yi International Trading Co., Ltd. Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Guangzhou Guangqi Commercial Changhe Automobile Technology Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Director, Tianjin Binhai New Area Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanjing Hozhan Motor Service Co., Ltd. Director, Qingdao Heling Lexus Motor Sales & Service 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, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	-	-	-

II. Corporate Governance Report

Title	Nationality/Place of Registration	Name	Gender Age	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 of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship
Director	Japan	Toyota Financial Services Corporation Representative Tetsuo Higuchi	Male 51~60	May 29, 2024	3 years	January 01, 2024	130,074,859	22.96%	143,082,344	22.96%	-	-	-	-	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 Director, Toyota Financial Services Philippines Director, Toyota Financial Services India Director, Toyota Capital Malaysia Director, Toyota Leasing Thailand	-	-	-
Independent Director	Taiwan	Ming-You Huang	Male Over 71	May 29, 2024	3 years	November 07, 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	Taiwan	Min-Chieh Chang	Male Over 71	May 29, 2024	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.	-	-	-	-
Independent Director	Taiwan	Yu-Chih Liu	Female 61~70	May 29, 2024	3 years	May 29, 2024	-	-	-	-	-	-	-	-	Ph.D. of Computer Science, Southern Methodist University, U.S. Professor, Department of Information Management, Yuan Ze University Dean of Academic Affairs, Yuan Ze University Editorial Board Member, Project Management Journal	-	-	-	-

II. Corporate Governance Report

Major shareholders of corporate shareholders of HFC

March 29, 2025

Name of Corporate Shareholder	Major shareholders of corporate shareholders	Percentage
Hozan Investment Co., Ltd.	Hotai Motor Co., Ltd.	100%
Toyota Financial Services Corporation	Toyota Motor Corporation	100%

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

March 29, 2025

Company Name	Major Shareholders	Percentage
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	The Master Trust Bank of Japan, Ltd.	11.08%
	Toyota Industries Corporation	7.31%
	Custody Bank of Japan, Ltd.	5.13%
	Nippon Life Insurance Company	3.88%
	JP Morgan Chase Bank, N.A.	3.59%
	Denso Corporation	2.76%
	State Street Bank & Trust Company	2.32%
	The Bank of New York Mellon	1.97%
	Mitsui Sumitomo Insurance Company, Limited	1.74%
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.56%

II. Corporate Governance Report

1. Professional qualifications and independence analysis of directors:

Name	Criteria		Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	Professional Qualification and Experience	Independence	
Yuan-Sheng Liu (Representative of Hozan Investment)	(1) Possesses working experience necessary for commercial and corporate business. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.	N/A	0
Chwen-Shing Su (Representative of Hozan Investment)	(1) Possesses working experience necessary for commercial and corporate business. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		0
ROGER HUANG (Representative of Hozan Investment)	(1) Possesses working experience necessary for commercial and corporate business. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		0
Leon Soo (Representative of Hozan Investment)	(1) Possesses working experience necessary for commercial and corporate business. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		0
Ryan Huang (Representative of Hozan Investment)	(1) Possesses working experience necessary for commercial and corporate business. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		0
Tetsuo Higuchi (Representative of TFSC)	(1) Possesses working experience necessary for commercial and corporate business. (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		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.	In accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, each director has met the independence requirements, including but not limited to (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; and (4) himself/herself has not provided any services to HFC or its affiliates in the most recent two years.	3
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
Wei-Lin Mao (Note)	(1) 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
Yu-Chih Liu (Note)	(1) Ph.D. of Computer Science, Southern Methodist University, U.S.; Professor of Department of Information Management and Dean of Academic Affairs, Yuan Ze University (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		0

Note: On May 29, 2024, the directors were re-elected and Yu-Chih Liu, an independent director, was elected and assumed office (Wei-Lin Mao retired).

II. Corporate Governance Report

2. Diversity and independence of the Board of Directors

(1) Board of Directors diversity policies, goals and implementation:

The Company has regulated the consideration of diversity in the composition of the Board of Directors in Article 20 of the "Corporate Governance Best Practice Principles", and formulated appropriate diversification policies with respect to its operations, business types and development needs. All directors possess the professional knowledge and abilities necessary for the execution of their duties. Some directors have practical experience in the automobile-related industry and business management, and some directors also have different professional backgrounds in finance, technology, advertising, media, accounting and information management, demonstrating the diversity of the Board of Directors. In addition to the professional competence and practical experience of directors, we also attach great importance to their personal reputation for ethical behavior and leadership.

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. The Company also emphasizes gender equality in the composition of the Board of Directors and aims to increase the number of seats for each gender to more than one-third of the Board. Among the 9 current directors, there is one female director, accounting for less than one-third of the total number of seats. This is due to the fact that the Company's industry is characterized by a predominance of male directors. However, we believe that the inclusion of female directors can bring greater innovation and development to the Company, and we will gradually increase the proportion of female board members.

II. Corporate Governance Report

Name	Nationality	Gender	Age			Ability to Make Operational Judgments	Accounting and Financial Analytical Skills	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			V	V	V	V	V	V	V	V	V
Chwen-Shing Su	Taiwan	Male		V		V	V	V	V	V	V	V	V
ROGER HUANG	U.S.A.	Male	V			V		V	V	V	V	V	V
Leon Soo	Taiwan	Male		V		V	V	V	V	V	V	V	V
Ryan Huang	Taiwan	Male	V			V	V	V	V	V	V	V	V
Tetsuo Higuchi	Japan	Male		V		V	V	V	V	V	V	V	V
Ming-You Huang	Taiwan	Male			V	V	V	V	V	V	V	V	V
Min-Chieh Chang	Taiwan	Male			V	V	V	V	V	V	V	V	V
Yu-Chih Liu (Note)	Taiwan	Female		V		V	-	-	V	V	V	-	V

Note: On May 29, 2024, the directors were re-elected and Yu-Chih Liu, an independent director, was elected and assumed office (Wei-Lin Mao retired).

- (2) 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, which is in compliance with Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

II. Corporate Governance Report

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

March 29, 2025

Title	Nationality	Name	Gender	Date Elected	Shareholding		SHARE OWNERSHIP 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 Manager Positions		
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship
President	Taiwan	Yen-Liang Lin	Male	July 01, 2016	185,300	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, HFC (CAMBODIA) MICROFINANCE PLC. 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. Chairman, Jun Te Energy Co., Ltd. Director, Kai Lan Energy Co., Ltd. Supervisor, Hotai Mobility Service Co., Ltd.	-	-	-
Vice President	Taiwan	Jui-Chi Lin	Male	January 01, 2022	-	-	-	-	-	-	Department of Japanese Language and Culture, Soochow University Manager, Yulon Finance Corporation	Director, HEJING Co., Ltd.	-	-	-
Senior Manager	Taiwan	Kai-Jung Yang	Male	February 01, 2023	14,000	0%	-	-	-	-	Graduate Institute of Management, University of Inowa Vice President, CTBC Bank Co., Ltd.	Chairman, Pacific One Energy Ltd. Chairman, Rueli Yang Guang Dian Co., Ltd. Vice Chairman, Gochabar Co., Ltd. Chairman, Tung Ching Energy Co., Ltd. Vice Chairman, Jun Te Energy Co., Ltd. Independent Director, HFC (CAMBODIA) MICROFINANCE PLC. Director, Perpetual New Energy Co. Ltd. Director, GRINNODOT INC. Supervisor, Zheng Ren Energy Co., Ltd. Supervisor, Kai Lan Energy Co., Ltd.	-	-	-

II. Corporate Governance Report

Title	Nationality	Name	Gender	Date Elected	Shareholding		SHARE OWNERSHIP 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 Manager Positions		
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship
Senior Manager	Taiwan	Jia-Feng Lee	Male	January 01, 2024	48,400	0.01%	-	-	-	-	Tamkang University, BA in Statistics Hotai Leasing Co., Ltd. Senior Manager	Director and President, Hoyun International Leasing Co., Ltd.	-	-	-
Senior Manager	Taiwan	Chun-I Tu	Male	December 01, 2021	74,400	0.01%	79,860	0.01%	-	-	Department of Law, Fu Jen Catholic University	-	-	-	-
Senior Manager	Taiwan	Chin-Tso Liao	Male	January 01, 2022	24,200	0%	-	-	-	-	Graduate Institute of Management Science, National Chiao Tung University Division Chief, Fuwan Co., Ltd.	-	-	-	-
Senior Manager	Taiwan	Po-Song Wu	Male	June 01, 2023	-	-	-	-	-	-	National Cheng Kung University, BA in Transportation and Communication Management Science Senior Manager, Ve Wong Co. Senior Manager, Sinjang Co., Ltd. Vice President, ChaoZhiCheCheng Co., Ltd.	Director, Hotai Finance Development Co., Ltd.	-	-	-
Senior Manager	Taiwan	Tao-Ming Chang	Male	February 01, 2024	-	-	-	-	-	-	National Defense University, BA in Accounting Manager, Auroa Industries, Inc.	-	-	-	-
Accounting Manager	Taiwan	Chia-Ming Tsai	Male	December 29, 2020	550	0%	-	-	-	-	Department of Accounting, Fu Jen Catholic University	Supervisor, Jun Te Energy Co., Ltd.	-	-	-

Note: The above shareholdings and ratios are ordinary shares.

II. Corporate Governance Report

2.2 Remuneration of Directors, Supervisors, President and Vice President in the Last Fiscal Year

2.2.1 Remuneration of directors and independent directors

As of December 31, 2024; 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 / Retirement (B)		Compensation to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Compensation for Loss of Office/ Retirement (F)		Profit Sharing (G)		From All Consolidated Entities				
		HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	Cash	Stock	Cash	Stock	HFC	From All Consolidated Entities	
Director	Hozan Investment Co, Ltd.	8,800	9,735	-	-	-	-	130	190	8,930 0.29%	9,925 0.32%	-	-	-	-	-	-	-	-	8,930 0.29%	9,925 0.32%	35,309
	Toyota Financial Services Corporation																					
	Hozan Investment Co, Ltd. Representative Yuan-Sheng Liu																					
	Hozan Investment Co, Ltd. Representative Chwen-Shing Su																					
	Hozan Investment Co, Ltd. Representative ROGER HUANG																					
	Hozan Investment Co, Ltd. Representative Leon Soo																					
	Hozan Investment Co, Ltd. Representative Ryan Huang																					
	Toyota Financial Services Corporation Representative Tetsuo Higuchi																					

II. Corporate Governance Report

Independent Director	Ming-You Huang																					
	Min-Chieh Chang																					
	Wei-Lin Mao (Note 1)	2,160	2,160	-	-	-	-	195	195	2,355 0.08%	2,355 0.08%	-	-	-	-	-	-	-	-	2,355 0.08%	2,355 0.08%	N/A
	Yu-Chih Liu (Note 1)																					
Total		10,960	11,895	-	-	-	-	325	385	11,285 0.37%	12,280 0.40%	-	-	-	-	-	-	-	-	11,285 0.37%	12,280 0.40%	35,309

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: For net profit after tax in 2024, 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 NT\$3,055,491 thousand.

Note 1: On May 29, 2024, the directors were re-elected and Yu-Chih Liu, an independent director, was elected and assumed office (Wei-Lin Mao retired).

II. Corporate Governance Report

Director Remuneration by Range

Director Remuneration	Name			
	Total Remuneration(A+B+C+D)		Total Remuneration(A+B+C+D+E+F+G)	
	HFC	From All Consolidated Entities	HFC	From the parent company and all subsidiaries and affiliates
NT\$0 — NT\$999,999	Hozan Investment Co, Ltd. Toyota Financial Services Corporation Chwen-Shing Su, Leon Soo, ROGER HUANG, Ryan Huang, Tetsuo Higuchi, Ming-You Huang, Min-Chieh Chang, Wei-Lin Mao, Yu-Chih Liu	Hozan Investment Co, Ltd. Toyota Financial Services Corporation Chwen-Shing Su, Leon Soo, ROGER HUANG, Ryan Huang, Tetsuo Higuchi, Ming-You Huang, Min-Chieh Chang, Wei-Lin Mao, Yu-Chih Liu	Hozan Investment Co, Ltd. Toyota Financial Services Corporation Chwen-Shing Su, Leon Soo, ROGER HUANG, Ryan Huang, Tetsuo Higuchi, Ming-You Huang, Min-Chieh Chang, Wei-Lin Mao, Yu-Chih Liu	Hozan Investment Co, Ltd. Toyota Financial Services Corporation ROGER HUANG, Tetsuo Higuchi, Ming-You Huang, Min-Chieh Chang, Wei-Lin Mao, Yu-Chih Liu
NT\$1,000,000 — NT\$1,999,999	-	-	-	Leon Soo
NT\$2,000,000 — NT\$3,499,999	-	-	-	-
NT\$3,500,000 — NT\$4,999,999	-	-	-	Ryan Huang
NT\$5,000,000 — NT\$9,999,999	Yuan-Sheng Liu	Yuan-Sheng Liu	Yuan-Sheng Liu	-
NT\$10,000,000 — NT\$14,999,999	-	-	-	Yuan-Sheng Liu
NT\$15,000,000 — NT\$29,999,999	-	-	-	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 people	12 people	12 people	12 people

II. Corporate Governance Report

2.2.2 Remuneration of President, Vice President, and Senior Managers

As of December 31, 2024; Unit: NT\$ 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		Compensati on from reinvested businesses or parent company other than subsidiaries
		HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities	HFC		From All Consolidated Entities		HFC	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Yen-Liang Lin	20.075	22,360	-	-	52,134	57,235	7,903	-	7,903	-	80,112 2.62%	87,498 2.86%	138
Senior Vice President	Wen-Chung Liao													
Vice President	Jui-Chi Lin													
Senior Manager	Kai-Jung Yang													
Senior Manager	Jia-Feng Lee													
Senior Manager	Chun-I Tu													
Senior Manager	Chin-Tso Liao													
Senior Manager	Po-Song Wu													
Senior Manager	Tao-Ming Chang													

Note 1: For net profit after tax in 2024, 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 NT\$3,055,491 thousand.

Note 2: Wen-Chung Liao, Senior Vice President, retired in June 30, 2024; Tao-Ming Chang, Associate, assumed office in February 1, 2024.

II. Corporate Governance Report

Director Remuneration by Range

Remuneration of President, Vice President, and Senior Managers	Names of President, Vice President, and Senior Managers	
	HFC	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	Jui-Chi Lin, Kai-Jung Yang, Jia-Feng Lee, Chun-I Tu, Chin-Tso Liao, Po-Song Wu, Tao-Ming Chang	Kai-Jung Yang, Jia-Feng Lee, Chun-I Tu, Chin-Tso Liao, Po-Song Wu, Tao-Ming Chang
NT\$10,000,000 – NT\$14,999,999	Wen-Chung Liao	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	-	-
Over NT\$100,000,000	-	-
Total	9 people	9 people

Note: Wen-Chung Liao, Senior Vice President, retired in June 30, 2024; Tao-Ming Chang, Associate, assumed office in February 1, 2024.

2.2.3 Employee Profit Sharing Granted to Management Team

As of December 31, 2024; Unit: NT\$ thousands

Manager		Stock	Cash	Total	Total Amount in % of Net Income
Title	Name				
President	Yen-Liang Lin	-	8,334	8,334	0.27%
Senior Vice President	Wen-Chung Liao				
Vice President	Jui-Chi Lin				
Senior Manager	Kai-Jung Yang				
Senior Manager	Jia-Feng Lee				
Senior Manager	Chun-I Tu				
Senior Manager	Chin-Tso Liao				
Senior Manager	Po-Song Wu				
Senior Manager	Tao-Ming Chang				
Accounting Manager	Chia-Ming Tsai				

Note 1: For net profit after tax in 2024, 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 NT\$3,055,491 thousand.

Note 2: Wen-Chung Liao, Senior Vice President, retired in June 30, 2024; Tao-Ming Chang, Associate, assumed office in February 1, 2024.

II. Corporate Governance Report

2.2.4 Analysis on 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 and description of 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:

Unit: NT\$ thousands

	2023		2024	
	HFC	From All Consolidated Entities	HFC	From All Consolidated Entities
Director	5,510 0.15%	6,637 0.18%	11,285 0.37%	12,280 0.40%
President, Vice President, and Senior Managers	64,844 1.76%	66,785 1.81%	80,112 2.62%	87,498 2.86%

Note 1: For net profit after tax in 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 NT\$3,689,812 thousand.

Note 2: For net profit after tax in 2024, 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 NT\$3,055,491 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.

II. Corporate Governance Report

- (b) Remuneration of President, Vice President and senior managers consists of salaries, bonuses and employee remuneration, etc. Salaries and bonuses are mainly based on the positions held and the degree of contribution; employee remuneration is based on the Company's Articles of Incorporation, and is submitted to the Board of Directors for resolution and reported to 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, leadership and management ability, personal contribution to the Company's performance (based on the achievement rate of the Company's revenue, net income before tax and net income after tax) and personal contribution to the Company's ESG sustainability (assessing the risks and opportunities of sustainable business operations, and reviewing the extent to which the Company fulfills its social responsibility, environmental sustainability, and corporate governance priorities). The results of such review are used as a reference for the payment of performance bonuses and salary adjustments. The remuneration of managers is subject to the approval of the Remuneration Committee before it is submitted to the Board of Directors for resolution.
- (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.

II. Corporate Governance Report

2.3 Corporate Governance

2.3.1 Operations of the Board of Directors:

Operations of the Board of Directors

In 2024, the Board of Directors convened 10 (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	Attendance Rate % (B/A)	Remarks
Chairman	Hozan Investment Co, Ltd. Representative Yuan-Sheng Liu	10	-	100%	Re-election on 2024/5/29
Director	Hozan Investment Co, Ltd. Representative Chwen-Shing Su	10	-	100%	Re-election on 2024/5/29
Director	Hozan Investment Co, Ltd. Representative ROGER HUANG	10	-	100%	Re-election on 2024/5/29
Director	Hozan Investment Co, Ltd. Representative Leon Soo	9	1	90%	Re-election on 2024/5/29
Director	Hozan Investment Co, Ltd. Representative Ryan Huang	9	1	90%	Re-election on 2024/5/29
Director	Toyota Financial Services Corporation Representative Tetsuo Higuchi	8	2	80%	Re-election on 2024/5/29
Independent Director	Ming-You Huang	10	-	100%	Re-election on 2024/5/29
Independent Director	Min-Chieh Chang	10	-	100%	Re-election on 2024/5/29
Independent Director	Wei-Lin Mao	3	-	100%	Re-election on 2024/5/29
Independent Director	Yu-Chih Liu	7	-	100%	Re-election on 2024/5/29
Total attendance rate		86	4	95.56%	

Other information to be disclosed:

- (1) In either of the following events, specify the date and session number of the board meeting, summary of the proposal, the opinions of the independent directors, and the actions taken by the company in response to the opinions of independent directors:
 - (a) A matter stipulated in Article 14-3 of the Securities and Exchange Act occurs: HFC has elected independent directors and established an audit committee on November 7, 2018, the details of which can be found under the "Operations of the Audit Committee" section.
 - (b) In addition to the foregoing, there is any other resolution on record or in writing that contains the independent directors' dissenting or qualified opinion: N/A

II. Corporate Governance Report

(2) Implementation of Directors Recusal of Interested Matters

Date of Meeting	Directors to be recused	Proposal Content	Reason for recusal	Participation in voting
January 24, 2024 23rd meeting of the 10th Board	Yuan-Sheng Liu	Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
June 13, 2024 2nd meeting of the 11th Board	Yuan-Sheng Liu	Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
June 28, 2024 3rd meeting of the 11th Board	Chairman (Yuan-Sheng Liu), Directors (Chwen-Shing Su, Tetsuo Higuchi, ROGER HUANG, Leon Soo, Ryan Huang) Independent Directors (Ming-You Huang, Min-Chieh Chang, Yu-Chih Liu)	Remuneration to 11th Directors	Involvement of each director's own interest	Discussed and voted in the order of Chairman's remuneration, directors' remuneration, and independent directors' remuneration, and recused the discussion and voting when discussing the directors' remuneration.
August 08, 2024 4th meeting of the 11th Board	Yuan-Sheng Liu	Proposal to participate in the cash capital increase by HEJUN Energy Co., Ltd.	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
		Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions		
		Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions		
August 20, 2024 5th meeting of the 11th Board	Yuan-Sheng Liu, Chwen-Shing Su, Tetsuo Higuchi	The Company's proposed disposal of an important subsidiary - Shareholding in Hoing Mobility Service Co. Ltd.	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
November 07, 2024 6th meeting of the 11th Board	Yuan-Sheng Liu	Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting
December 17, 2024 7th meeting of the 11th Board	Yuan-Sheng Liu	Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions	The recusing director is a director or related party of the transaction counterparty	Did not participate in the discussion and voting

II. Corporate Governance Report

- (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:
- (a) 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.
 - (b) The Board of Directors' Performance Evaluation Regulations were established by HFC 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.
 - (c) The Company has announced relevant important resolutions on the Market Observation Post System in accordance with the regulations to enhance information transparency.

II. Corporate Governance Report

Implementation of the Evaluation of the Board of Directors:

The Company has established the Board of Directors' Performance Evaluation Regulations whereby the Company conducts an internal performance evaluation of the Board of Directors, individual Board members and functional committees once a year, and commissions an external independent organization to conduct a Board of Directors performance evaluation at least once every three years.

- (1) The most recent external evaluation was conducted in the fourth quarter of 2023 by the Taiwan Institute of Ethical Business, which was commissioned to conduct an external evaluation of the performance of the Board of Directors, the Audit Committee, the Remuneration Committee, and the Risk Management Committee for 2023. The overall evaluation results showed that the functioning of the Board of Directors and the functional committees was "good". The results of the evaluation were reported to the Board of Directors on January 24, 2024
- (2) In the fourth quarter of 2024, it conducted an internal assessment of the performance of the Board of Directors, individual Board members and functional committees, and collected and compiled self-assessment questionnaires from 9 directors (including independent directors). The overall evaluation results showed that the functioning of the Board of Directors and the functional committees was "good". The results of the evaluation were reported to the Board of Directors on January 24, 2025
- (3) The implementation in the most recent year is as follows:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Topics
Once a year; at least one external evaluation every three years	2024/1/1 ~ 2024/12/31	Board of Directors as a whole	Self-evaluation questionnaire	A. Participation in the operations of the Company. B. Improvement to the quality of the Board of Directors' decision-making. C. Board composition and structure. D. Selection of Board members and continuing education. E. Internal control.
		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 control.
		Functional committees 1. Audit Committee 2. Remuneration Committee 3. Risk Management Committee	Self-evaluation questionnaire	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 of the functional committee and election of its members. E. Internal control.

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2.3.2 Operations of the Audit Committee:

Operations of the Audit Committee

In 2024, the Audit Committee convened 9 (A) meetings; the attendance of the independent directors is as follows:

Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Attendance Rate % (B/A)	Remarks
Independent Director(Convener)	Ming-You Huang	9	-	100%	Re-election on 2024/5/29
Independent Director	Min-Chieh Chang	9	-	100%	Re-election on 2024/5/29
Independent Director	Wei-Lin Mao	3	-	100%	Re-election on 2024/5/29
Independent Director	Yu-Chih Liu	6	-	100%	Re-election on 2024/5/29

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:

Audit Committee	Proposal Content	Resolution of the Audit Committee and the Company's handling of the Audit Committee's opinions
January 24, 2024 22nd meeting of the 2nd Audit Committee	1. Appointment of CPAs and evaluation of independence and suitability 2. Proposal to raise overseas loans 3. Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions 4. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions	Passed without objection by all attending members
March 12, 2024 23rd meeting of the 2nd Audit Committee	1. 2023 Business Report and Financial Statements 2. 2023 distribution of earnings proposal 3. Issue new shares for capital increase by earnings 4. Lifting of non-compete restrictions on the newly elected directors and their representatives 5. Statement on Internal Control System 6. Proposed sale of domestic property to a related party 7. Financing endorsement/guarantee to be made to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and its correspondent financial institutions 8. Amendments to Corporate Governance Related Regulations	Passed without objection by all attending members
May 08, 2024 24th meeting of the 2nd Audit Committee	1. 2024 Q1 Consolidated Financial Statements 2. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions 3. Amendment to the internal control system (I) 4. Amendment to the internal control system (II)	Passed without objection by all attending members
June 13, 2024 1st meeting of the 3rd Audit Committee	1. Issue new shares for capital increase by earnings 2. Acquisition of the right-of-use of property from a related party by leasing 3. Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions 4. Change in the Company's Chief Finance Officer	Passed without objection by all attending members
June 28, 2024 2nd meeting of the 3rd Audit Committee	1. Amendment to the Company's "Lending Procedures" 2. Amendment to the Company's "Procedures for Endorsement and Guarantee"	Passed without objection by all attending members
August 08, 2024 3rd meeting of the 3rd Audit Committee	1. 2024 Q2 Consolidated Financial Statements 2. Proposed disposal of an important subsidiary - Shareholding in Hoing Mobility Service Co. Ltd. 3. Proposal to participate in the cash capital increase by HEJUN Energy Co., Ltd. 4. Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions 5. Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions 6. Amendment to the internal control system	Passed without objection by all attending members

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Audit Committee	Proposal Content	Resolution of the Audit Committee and the Company's handling of the Audit Committee's opinions
August 20, 2024 4th meeting of the 3rd Audit Committee	1. Change in the Company's Cooperate Governance Officer	Passed without objection by all attending members
November 07, 2024 5th meeting of the 3rd Audit Committee	1. 2024 Q3 Consolidated Financial Statements 2. Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions 3. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions 4. Proposal to raise overseas loans 5. Amendment to the Procedures for the Preparation and Validation of the Sustainability Report	Passed without objection by all attending members
December 17, 2024 6th meeting of the 3rd Audit Committee	1. 2025 audit plan 2. Appointment of CPAs and evaluation of independence and suitability 3. Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions	Passed without objection by all 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

(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.

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(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:

No.	Item
1	Review of financial statements: The Board of Directors has prepared the Company's 2024 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.
2	Accounting policies and procedures.
3	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.
4	Material Loaning of Funds by Endorsement or Guarantee.
5	Offering or issuance of securities.
6	Legal compliance.
7	Qualification, independence and performance evaluation of CPAs.
8	Appointment, dismissal, or remuneration of certified public accountants.
9	Fulfillment of duties by the Audit Committee.
10	Audit Committee Performance Evaluation Questionnaire.

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2.3.3 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 Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		We have adopted HFC Corporate Governance Best Practice Principles in accordance with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, which is published on MOPS and made available on our corporate website.	N/A
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		(1) 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.	N/A
(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		(2) 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.	N/A
(3) Has the Company built and implemented a risk management system and firewalls between the Company and its affiliates?	V		(3) We have adopted and implemented internal rules and regulations such as the Procedures for Transactions with Affiliated Companies, Specific Companies, and Related Parties and Guidelines for Subsidiary Oversight and Governance.	N/A
(4) Has the Company established internal rules prohibiting insider trading on non-public information?	V		(4) 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 Insider Trading Policy 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.	N/A

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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors formulate and implement diversified policies, specific management goals?	V		<p>(1) 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 11th Board of Directors of the Company consists of 9 members (term of office 2024/5/29~2027/5/28), including 3 independent directors (accounting for 1/3, and none of the 3 independent directors will serve for more than 3 terms) and 1 female director (accounting for 1/9; the Company emphasizes on gender equality in the composition of the Board of Directors and aims to increase the number of seats on the Board of Directors by more than one-third for each gender). None of the Company's directors has the identity of an employee. There are 2 directors under the age of 50, 4 directors between 51 and 65 years old, and 3 directors over 66 years old. All directors possess the professional knowledge and abilities necessary for the execution of their duties. Some directors have practical experience in the automobile-related industry and business management, and some directors also have different professional backgrounds in finance, technology, advertising, media, accounting and information management, demonstrating the diversity of the Board of Directors. In addition to the professional competence and practical experience of directors, we also attach great importance to their personal reputation for ethical behavior 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. Ability to Make Operational Judgments 2. Accounting and Financial Analytical Skills 3. Management and Administration 4. Crisis Management 5. Industry Knowledge 6. Global Market Perspective 7. Leadership 8. Decision-making Ability <p>Please refer to Note 1 for the Company's implementation of diversity policy.</p>	N/A

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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation																		
	Y	N	Summary																			
(2) In addition to the Remuneration Committee and the Audit Committee, has the Company established other functional committees voluntarily?	V		<p>(2) In addition to the Remuneration Committee and Audit Committee, the Company has established the Risk Management Committee and ESG Sustainable Management Committee on September 17, 2021, which will meet at least twice a year. Their composition, duties and operation are as follows.</p> <p>Risk Management Committee:</p> <p>1. Composition: 3 members are all independent directors</p> <table border="1"> <thead> <tr> <th>Member</th> <th>Experience</th> </tr> </thead> <tbody> <tr> <td>Convener Ming-You Huang</td> <td>A practicing CPA for many years, with expertise in accounting, risk, and financial analysis.</td> </tr> <tr> <td>Min-Chieh Chang</td> <td>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.</td> </tr> <tr> <td>Wei-Lin Mao (retired on May 29, 2024)</td> <td>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.</td> </tr> <tr> <td>Yu-Chih Liu (appointed on June 13, 2024)</td> <td>Professor of Department of Information Management, Yuan Ze University, specializing in big data analysis and information system management.</td> </tr> </tbody> </table> <p>2. Duties and responsibilities: Improve risk control and management and strengthen the functions of the Board of Directors</p> <table border="1"> <thead> <tr> <th></th> <th>Responsibilities</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Regularly review the Company's risk management policy and procedures and put forth proposals for discussion by the Board of Directors.</td> </tr> <tr> <td>2</td> <td>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.</td> </tr> <tr> <td>3</td> <td>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.</td> </tr> </tbody> </table>	Member	Experience	Convener Ming-You Huang	A practicing CPA for many years, with expertise in accounting, risk, and financial analysis.	Min-Chieh Chang	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.	Wei-Lin Mao (retired on May 29, 2024)	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.	Yu-Chih Liu (appointed on June 13, 2024)	Professor of Department of Information Management, Yuan Ze University, specializing in big data analysis and information system management.		Responsibilities	1	Regularly review the Company's risk management policy and procedures and put forth proposals for discussion by the Board of Directors.	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.	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.	N/A
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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation																																
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			<table><tr><td>4</td><td>Other major risks specified by the Company or competent authorities.</td></tr></table> <p>3. Operations: A total of 2 meetings were held in 2024, and the actual attendance rate was 100%. The operations were reported to the Board of Directors on December 17, 2024.</p> <table><tr><th>Risk Management Committee</th><th>Meeting Content</th></tr><tr><td>March 12, 2024 8th meeting of the 1st Risk Management Committee</td><td>Review of asset quality management</td></tr><tr><td>August 08, 2024 1st meeting of the 2nd Risk Management Committee</td><td>Review of asset quality management</td></tr></table> <p>ESG Sustainable Management Committee:</p> <p>1. Composition: 5 members, with the Chairman of the Board of Directors serving as the convener and other members being the Company's senior managers, who have actual contact with the Company's corporate sustainability and have the ability to make relevant recommendations to the Board of Directors.</p> <table><tr><th>Title</th><th>Name</th></tr><tr><td>Chairman (Convener)</td><td>Yuan-Sheng Liu</td></tr><tr><td>President</td><td>Yen-Liang Lin</td></tr><tr><td>Vice President</td><td>Jui-Chi Lin</td></tr><tr><td>Senior Manager</td><td>Kai-Jung Yang</td></tr><tr><td>Senior Manager</td><td>Po-Song Wu</td></tr></table> <p>2. Duties and responsibilities: Promotion and implementation of corporate social responsibility policies and sustainable development.</p> <table><tr><th></th><th>Responsibilities</th></tr><tr><td>1</td><td>Review and suggestions on the effectiveness of ESG implementation.</td></tr><tr><td>2</td><td>Set out the main ESG direction and outlined an annual implementation plan and progress.</td></tr></table> <p>3. Operations: A total of 2 meetings were held in 2024, and the actual attendance rate was 100%. The operations were reported to the Board of Directors on December 17, 2024.</p> <table><tr><th>ESG Sustainable Management Committee</th><th>Meeting Content</th></tr><tr><td>June 26, 2024 1st meeting of the 2nd ESG Sustainable Management Committee</td><td>(1) ESG budget adjustment and project execution planning for 2024 (2) Revision of the Sustainable Development Best-Practice Principles and the ESG Sustainable Management Committee Organizational Charter</td></tr><tr><td>December 12, 2024</td><td>(1) ESG project implementation results and sustainability material topics</td></tr></table>	4	Other major risks specified by the Company or competent authorities.	Risk Management Committee	Meeting Content	March 12, 2024 8th meeting of the 1st Risk Management Committee	Review of asset quality management	August 08, 2024 1st meeting of the 2nd Risk Management Committee	Review of asset quality management	Title	Name	Chairman (Convener)	Yuan-Sheng Liu	President	Yen-Liang Lin	Vice President	Jui-Chi Lin	Senior Manager	Kai-Jung Yang	Senior Manager	Po-Song Wu		Responsibilities	1	Review and suggestions on the effectiveness of ESG implementation.	2	Set out the main ESG direction and outlined an annual implementation plan and progress.	ESG Sustainable Management Committee	Meeting Content	June 26, 2024 1st meeting of the 2nd ESG Sustainable Management Committee	(1) ESG budget adjustment and project execution planning for 2024 (2) Revision of the Sustainable Development Best-Practice Principles and the ESG Sustainable Management Committee Organizational Charter	December 12, 2024	(1) ESG project implementation results and sustainability material topics	
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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation																		
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2nd meeting of the 2nd ESG Sustainable Management Committee	and stakeholder communications in 2024 (2) ESG project execution planning for 2025																					
(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?	V		<div><div>(3) 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.</div><table><tr><th>Meeting</th><th>Performance Evaluation Item</th></tr><tr><td>Board of Directors</td><td>Participation in the operations of the Company Improvement to the quality of the Board of Directors' decision-making Board composition and structure Election and continuing education of directors Internal control</td></tr><tr><td>Functional committees</td><td>Participation in the operations of the Company An understanding of the duties and responsibilities of the functional committee Improve the quality of decision making by functional committees Composition of the functional committee and election of its members Internal control</td></tr></table><div>Reporting of evaluation results to the Board of Directors:</div><table><tr><th>Evaluation Year</th><th>Evaluation Method</th><th>Evaluation Results</th><th>Board of Directors</th></tr><tr><td>2022</td><td>Internal self-assessment</td><td>The overall operation of the Board and the functional committees is in good condition</td><td>2023/1/16</td></tr><tr><td>2023</td><td>External evaluation</td><td>The overall operation of the</td><td>2024/1/24</td></tr></table></div>	Meeting	Performance Evaluation Item	Board of Directors	Participation in the operations of the Company Improvement to the quality of the Board of Directors' decision-making Board composition and structure Election and continuing education of directors Internal control	Functional committees	Participation in the operations of the Company An understanding of the duties and responsibilities of the functional committee Improve the quality of decision making by functional committees Composition of the functional committee and election of its members Internal control	Evaluation Year	Evaluation Method	Evaluation Results	Board of Directors	2022	Internal self-assessment	The overall operation of the Board and the functional committees is in good condition	2023/1/16	2023	External evaluation	The overall operation of the	2024/1/24	-
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Evaluation Item	Implementation Status				Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation								
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	(Taiwan Institute of Ethical Business)	Board and the functional committees is in good condition											
2024	Internal self-assessment	The overall operation of the Board and the functional committees is in good condition	2025/1/14										
(4) Does the Company regularly assess the independence of the CPAs?	V		(4) 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 Chun-Yuan Hsiao and Chia-Hung Lin 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)		N/A								
			On December 17, 2024, the Board of Directors and the Audit Committee reviewed and approved the appointment of 2024 CPAs and the assessment of their independence.										
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,	V		The Board of Directors of the Company resolved on March 19, 2019 to establish a Corporate Governance Officer to be responsible for corporate governance-related matters, protect shareholders' rights and interests and strengthen the functions of the Board of Directors.		N/A								
			As resolved by the Board of Directors on August 20, 2024, the corporate governance officer was changed to senior manager Kai-Jung Yang, who has experience in finance and board meeting management and meets the qualifications required of a corporate governance officer.										
			Business implementation in 2024 is as follows: 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.										

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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation												
	Y	N	Summary													
preparation of minutes of board of directors and shareholders' meetings)?			<p>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.</p> <p>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.</p> <p>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.</p> <p>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> <p>The continuing education in 2024 is as follows:</p> <p>The Corporate Governance Officer has attended courses related to the execution of his or her business in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", and has followed the "Taiwan Stock Exchange Corporation Operation Directions for Compliance With the Establishment of a Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers", as the new Corporate Governance Officer to take at least eighteen hours of further education within one year from the date of assuming this position, and at least twelve hours of further education per year. The contents of the related education in 2024 are as follows:</p> <table><tr><th>Organizer</th><th>Course name</th><th>Number of hours</th></tr><tr><td>Securities and Futures Institute</td><td>2024 Insider Trading Prevention Seminar</td><td>3</td></tr><tr><td>Taiwan Institute of Directors</td><td>What Business Managers Need to Know about Short and Long Term Economic Trends</td><td>3</td></tr><tr><td>Taiwan Stock Exchange</td><td>Enhancement in Capital Market of Taiwan Summit</td><td>3</td></tr></table>	Organizer	Course name	Number of hours	Securities and Futures Institute	2024 Insider Trading Prevention Seminar	3	Taiwan Institute of Directors	What Business Managers Need to Know about Short and Long Term Economic Trends	3	Taiwan Stock Exchange	Enhancement in Capital Market of Taiwan Summit	3	
Organizer	Course name	Number of hours														
Securities and Futures Institute	2024 Insider Trading Prevention Seminar	3														
Taiwan Institute of Directors	What Business Managers Need to Know about Short and Long Term Economic Trends	3														
Taiwan Stock Exchange	Enhancement in Capital Market of Taiwan Summit	3														

II. Corporate Governance Report

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation			
	Y	N	Summary				
			<table><tr><td>The Chinese National Association of Industry and Commerce, Taiwan</td><td>2024 Taishin Net Zero Summit</td><td>3</td></tr></table>	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3	
The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	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.</p> <p>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. The achievements on stakeholder communications in 2024 were reported to the Board of Directors on December 17, 2024.</p>	N/A			
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>	N/A			
7. Information Disclosure							
(1) Does the Company set up a website to disclose financial, business and corporate governance information?	V		<p>(1) The Company has established a corporate website (www.hfcfinance.com.tw) 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.</p>	N/A			
(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		<p>(2) The Company has set up a Chinese and English website, and the Corporate Governance 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 2024, 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.</p>	N/A			

II. Corporate Governance Report

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
(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	(3) 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 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</p>	N/A

II. Corporate Governance Report

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>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>(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 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.</p>	

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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation																		
	Y	N	Summary																			
			<table><tr><th>Year</th><th>External Certification</th></tr><tr><td>2022</td><td>Obtained ISO27001 certification for the first time in December</td></tr><tr><td>2023</td><td>Passed ISO27001 certification by SGS in November.</td></tr><tr><td>2024</td><td>Passed ISO27001 certification by SGS in October.</td></tr></table> <p>The information 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> <p>2. 2024 IP management goals:</p> <table><tr><th></th><th>Objective</th></tr><tr><td>1</td><td>Pass TIPS Grade A revalidation (Announced on the official website of TIPS on December 31, 2024. Certification is valid until December 31, 2026)</td></tr><tr><td>2</td><td>Establish a Trademark Review Process Protocol (Completed and effective on 2024/6/28)</td></tr><tr><td>3</td><td>Hold at least 4 educational training courses related to the intellectual property management</td></tr><tr><td>4</td><td>Publish at least 2 legal columns on topics related to intellectual property (completed: AI and copyright, parodies)</td></tr></table>	Year	External Certification	2022	Obtained ISO27001 certification for the first time in December	2023	Passed ISO27001 certification by SGS in November.	2024	Passed ISO27001 certification by SGS in October.		Objective	1	Pass TIPS Grade A revalidation (Announced on the official website of TIPS on December 31, 2024. Certification is valid until December 31, 2026)	2	Establish a Trademark Review Process Protocol (Completed and effective on 2024/6/28)	3	Hold at least 4 educational training courses related to the intellectual property management	4	Publish at least 2 legal columns on topics related to intellectual property (completed: AI and copyright, parodies)	
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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation								
	Y	N	Summary									
			<div>3. Intellectual Property Management Manual</div> <div>4. Regulations Governing the Administration of Trademarks</div> <div>5. Regulations Governing the Management of Copyrights</div> <div>6. Management of confidential documents</div> <div>7. Intellectual property public contract</div> <div>Implementation in 2024:</div> <div>1. 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 17, 2024.</div> <div>2. Implementation of intellectual property management in 2024:</div> <table><thead><tr><th>Item</th><th>Implementation Status</th></tr></thead><tbody><tr><td>Intellectual property related courses: 4 courses in total</td><td><div>1. Courses on TIPS policies and goals, 20 person-times in total</div><div>2. Trademark maintenance assessment highlights, 19 person-times in total</div><div>3. Matters to be noted in relation to the Trade Secrets Act and the prohibition of employee competition, 963 person-times in total</div><div>4. Explanation of TIPS management specification and promotion of the Company's intellectual property management system, 67 person-times in total</div></td></tr><tr><td>The list and results of intellectual property inventory</td><td>As of December 14, 2024, the results of intellectual property rights inventory are 152 copyrights and 10 trademarks.</td></tr><tr><td>Intellectual property disputes</td><td>N/A</td></tr></tbody></table>	Item	Implementation Status	Intellectual property related courses: 4 courses in total	<div>1. Courses on TIPS policies and goals, 20 person-times in total</div> <div>2. Trademark maintenance assessment highlights, 19 person-times in total</div> <div>3. Matters to be noted in relation to the Trade Secrets Act and the prohibition of employee competition, 963 person-times in total</div> <div>4. Explanation of TIPS management specification and promotion of the Company's intellectual property management system, 67 person-times in total</div>	The list and results of intellectual property inventory	As of December 14, 2024, the results of intellectual property rights inventory are 152 copyrights and 10 trademarks.	Intellectual property disputes	N/A	
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The list and results of intellectual property inventory	As of December 14, 2024, the results of intellectual property rights inventory are 152 copyrights and 10 trademarks.											
Intellectual property disputes	N/A											
			<div>(12) Restrictions on Insider Stock Transactions</div> <div>Prohibition of insiders, such as directors or employees, from trading marketable securities using non-public information.</div> <div>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.</div>									

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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
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)	
The Company was ranked 6-20% in the 10th Corporate Governance Evaluation and will continue to strengthen its corporate governance in the future.				
Improvements:				
1. Since 2022, the ESG Sustainability Report has incorporated SASB.				
2. Since 2023, accredited with Taiwan Intellectual Property Management Standards (TIPS) - Grade A.				
3. Re-election of directors in 2024 to include 1 female director (accounting for 1/9).				
Priority for Improvements:				
Pay attention to gender equality in the composition of the Board of Directors, aim to achieve more than one-third of the board seats for each gender, and gradually increase the number of female directors.				

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Note 1: Implementation of the Company's diversity policy

Name	Nationality	Gender	Age			Ability to Make Operational Judgments	Accounting and Financial Analytical Skills	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			V	V	V	V	V	V	V	V	V
Chwen-Shing Su	Taiwan	Male		V		V	V	V	V	V	V	V	V
ROGER HUANG	U.S.A.	Male	V			V		V	V	V	V	V	V
Leon Soo	Taiwan	Male		V		V	V	V	V	V	V	V	V
Ryan Huang	Taiwan	Male	V			V	V	V	V	V	V	V	V
Tetsuo Higuchi	Japan	Male		V		V	V	V	V	V	V	V	V
Ming-You Huang	Taiwan	Male			V	V	V	V	V	V	V	V	V
Min-Chieh Chang	Taiwan	Male			V	V	V	V	V	V	V	V	V
Yu-Chih Liu	Taiwan	Female		V		V	-	-	V	V	V	-	V

Note 2: Criteria for evaluating the independence of CPAs.

Evaluation Item	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
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 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
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 surveyed to perform regular duties, receive fixed salaries, or serve as directors or supervisors?	No	Yes

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Appendix: Continuing Education of Directors in the Most Recent Year

Title	Name	Date of continuing education	Organizer	Course name	Number of hours for continuing education	Total hours	First appointment
Chairman	Yuan-Sheng Liu	2024/5/10	Taiwan Insurance Development Center	Directors' Liability under ESG	3	21	-
		2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3		
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		
		2024/9/20	Taiwan Insurance Development Center	International Anti-Corruption and Whistleblower Protection Practices	3		
		2024/9/26	Taiwan Institute of Directors	What Business Managers Need to Know about Short and Long Term Economic Trends	3		
		2024/9/30	Taiwan Stock Exchange	Enhancement in Capital Market of Taiwan Summit	3		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		
Director	Chwen-Shing Su	2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3	9	-
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		
		2024/9/26	Taiwan Institute of Directors	What Business Managers Need to Know about Short and Long Term Economic Trends	3		
Director	ROGER HUANG	2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3	6	-
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		

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Title	Name	Date of continuing education	Organizer	Course name	Number of hours for continuing education	Total hours	First appointment
Director	Leon Soo	2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3	12	-
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		
		2024/9/26	Taiwan Institute of Directors	What Business Managers Need to Know about Short and Long Term Economic Trends	3		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		
Director	Ryan Huang	2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3	9	-
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		
Director	Tetsuo Higuchi	2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3	15	-
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		
		2024/7/3	Taiwan Stock Exchange	2024 Cathay Sustainable Banking and Climate Change Summit	6		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		

II. Corporate Governance Report

Title	Name	Date of continuing education	Organizer	Course name	Number of hours for continuing education	Total hours	First appointment
Independent Director	Ming-You Huang	2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3	15	-
		2024/7/3	Taiwan Stock Exchange	2024 Cathay Sustainable Banking and Climate Change Summit	6		
		2024/7/15	Taiwan Corporate Governance Association	Recent Trends in Corporate Governance from Corporate Governance Evaluation Indicators	3		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		
Independent Director	Min-Chieh Chang	2024/5/13	Taiwan Institute of Directors	Prevention and Control of Sexual Harassment in Business and Case Studies	3	9	-
		2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		
Independent Director	Yu-Chih Liu	2024/5/29	Taiwan Independent Director Association	Anti-Money Laundering Laws and Practical Cases Analysis	3	15	Yes
		2024/7/3	Taiwan Stock Exchange	2024 Cathay Sustainable Banking and Climate Change Summit	6		
		2024/9/26	Taiwan Institute of Directors	What Business Managers Need to Know about Short and Long Term Economic Trends	3		
		2024/10/7	The Chinese National Association of Industry and Commerce, Taiwan	2024 Taishin Net Zero Summit	3		

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2.3.4 Composition and Operations of the Company's Remuneration Committee

The Company established the Remuneration Committee in November 2018 in accordance with the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. The Remuneration Committee meets at least twice a year. Its operations are carried out in accordance with the “Remuneration Committee Organizational Charter”.

Responsibilities	
1	Regularly review the Charter and propose amendments thereto
2	Establish and regularly review the policies, systems, criteria and structures for evaluating the performance standards and remuneration of the Company's directors, supervisors and managers
3	Establish evaluate the remuneration of the Company's directors, supervisors and managers

1. Remuneration Committee Members

Title	Name	Criteria	Independence	Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member
		Professional Qualification and Experience		
Independent Director (Convener)	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.	In accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, each director has met the independence requirements, including but not limited to (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; and (4) himself/herself has not provided any services to HFC or its affiliates in the most recent two years.	3
Independent Director	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
Independent Director	Wei-Lin Mao (Note)	(1) 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
Independent Director	Yu-Chih Liu (Note)	(1) Ph.D. of Computer Science, Southern Methodist University, U.S.; Professor of Department of Information Management and Dean of Academic Affairs, Yuan Ze University (2) Not has been in or is under any circumstances stated in Article 30 of the Company Law.		0

Note: On May 29, 2024, the directors were re-elected and Yu-Chih Liu, an independent director, was elected and assumed office (Wei-Lin Mao retired).

II. Corporate Governance Report

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 June 13, 2024 to May 28, 2027. In 2024, the Remuneration Committee convened five (A) meetings; the qualifications and attendance of the Remuneration Committee members is as follows:

Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Attendance Rate % (B/A)	Remarks
Convener	Ming-You Huang	5	-	100%	Re-election on 2024/5/29
Member	Min-Chieh Chang	5	-	100%	Re-election on 2024/5/29
Member	Wei-Lin Mao	3	-	100%	Re-election on 2024/5/29
Member	Yu-Chih Liu	2	-	100%	Re-election on 2024/5/29

- (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:

Remuneration Committee	Proposal Content	All members' opinions and the Company's handling of members' opinions
January 24, 2024 12th meeting of the 3rd Remuneration Committee	Proposal to implement employee stock ownership trust	Passed without objection by all attending members
March 12, 2024 13th meeting of the 3rd Remuneration Committee	2023 distribution of remuneration to employees	Passed without objection by all attending members
May 08, 2024 14th meeting of the 3rd Remuneration Committee	Performance bonus for managerial officers and profit-sharing remuneration for employees for 2023	Passed without objection by all attending members
June 28, 2024 1st meeting of the 4th Remuneration Committee	Remuneration to 11th Directors	Passed without objection by all attending members
August 08, 2024 2nd meeting of the 4th Remuneration Committee	Managerial officers' salary adjustment for 2024	Passed without objection by all attending members

Other information to be disclosed:

- (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.

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2.3.5 The Company's Promotion of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

1. Implementation Status of Promoting Sustainable Development

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
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?	V		<p>The Company adheres to the vision and mission of the ESG policy, and emphasizes on the issue of sustainable development. In order to strengthen the effectiveness of the original ESG business execution, the Company has established the “ESG Sustainable Management Committee” under the Board of Directors (established in March 2019, and renamed in September 2021). 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” meets at least twice a year and as often as necessary. The Committee should report to the Board of Directors at least once a year on the results of its operations (including, but not limited to, an executive report, a report on the status of stakeholder communication, and an annual plan). It last reported to the Board of Directors on December 17, 2024 on the status of sustainability promotion, the status of climate management promotion, the results of ESG project promotion, and the ESG strategic direction for 2025.</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>	N/A

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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.	N/A
3. Environmental Issues				
(1) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	V		(1) 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".	N/A
(2) Is the Company committed to improving the efficiency of energy use and using recycled materials with low impact on the environment?	V		(2) The Company continues to promote various measures for energy conservation and carbon reduction to respond to the impact of environmental changes. 1. We have introduced office energy-saving equipment and prioritized the use of high-efficiency energy-saving lighting equipment and Grade 1 energy-efficient electrical appliances. In addition, we have improved operational behaviors to reduce power consumption. For example, in public places with low lighting demand, such as corridors and passages, we have set up alternate lighting or indirect lighting, and regularly cleaned and maintained air conditioners to prevent dust and dirt from wearing out the internal components, and implemented a half-hour light switch-off during lunch breaks. 2. Reutilization of resources, including the maintenance of information and computer equipment and donating them to UPO organizations in need, through recycling, to reduce ecological load. 3. We have promoted the green procurement policy (products with the green label and energy-saving label), the production of green products and the use of recyclable products to reduce the impact and damage to the environment. 4. In order to reduce waste, we have implemented waste classification at each of our business locations and promoted the reuse of recycled paper, double-sided printing of documents, paperless credit investigation, and shredding of expired documents; in addition, we have used hand dryers and central pull toilet paper dispensers in the restrooms in the headquarters building in order to reduce the amount of paper towels and tissue paper used. Moreover, through the setting up of personal authentication of the printers, we are able to achieve control of printing paper and reduce unnecessary printing, thus saving resources and costs.	N/A

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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>5. In order to minimize the environmental impact of operations, we are gradually replacing official vehicles with hybrid vehicles. We had adopted green power on the 10th floor of the headquarters building by November 2024 and promoted the gradual introduction of green power in our own offices. We also purchased an office located in Sanchong (Kuo Yang Digital Technology Building) as a green building.</p>	
(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		<p>(3) 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.</p> <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>	N/A

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Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation								
	Y	N	Summary									
(4) Has the Company 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>(4) The Company has implemented the inventory of greenhouse gas emissions in the past two years in accordance with the international standard ISO14064-1, 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. 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 gases:</p> <table><tr><th colspan="2">Reduction Management Actions</th></tr><tr><td>Scope 1</td><td>Reduce the number of internal combustion engine vehicles in our official vehicles year by year</td></tr><tr><td>Scope 2</td><td>Introduce green power at the headquarters, and actively promote electricity conservation and the procurement of grade 1 energy-efficient electrical appliances, as well as promote the green energy industry</td></tr><tr><td>Scope 3</td><td>Aim to reduce waste and promote recycling and digitalization</td></tr></table> <p>Please refer to the Company's ESG Sustainability Report for other greenhouse gas management actions. (https://esg.hfcfinance.com.tw/zh-tw/download)</p>	Reduction Management Actions		Scope 1	Reduce the number of internal combustion engine vehicles in our official vehicles year by year	Scope 2	Introduce green power at the headquarters, and actively promote electricity conservation and the procurement of grade 1 energy-efficient electrical appliances, as well as promote the green energy industry	Scope 3	Aim to reduce waste and promote recycling and digitalization	N/A
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Scope 2	Introduce green power at the headquarters, and actively promote electricity conservation and the procurement of grade 1 energy-efficient electrical appliances, as well as promote the green energy industry											
Scope 3	Aim to reduce waste and promote recycling and digitalization											
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		(1) 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.	N/A								
(2) Does the Company formulate and implement reasonable employee welfare measures (including	V		(2) 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	N/A								

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Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation																						
	Y	N	Summary																							
remuneration, leave and other benefits, etc.), and appropriately reflect the operating performance or results in the employee remuneration?			<p>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. The Company launched an employee stock ownership trust in 2024 to boost morale and enhance cohesion of employees.</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>																							
(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>(3) 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. In 2024, there were no fires and other occupational disasters, and no occupational disasters occurred to employees.</p> <p>The specific measures are as follows:</p> <table><tr><th colspan="2">Specific Measures</th></tr><tr><td>1</td><td>Occupational safety and health officers are appointed in each office of the Company in accordance with the regulations.</td></tr><tr><td>2</td><td>Fire-fighting facilities are built in accordance with regulations.</td></tr><tr><td>3</td><td>First aid kits are available, and the offices are equipped with automated external defibrillators (AED).</td></tr><tr><td>4</td><td>Regular health checkups are provided according to employees' ages to care about their health.</td></tr><tr><td>5</td><td>Decorate offices in accordance with building or fire safety regulations.</td></tr><tr><td>6</td><td>The office is equipped with central air-conditioning and sufficient lighting, and access control is used to protect the safety of employees.</td></tr><tr><td>7</td><td>The workplace is disinfected once a quarter.</td></tr><tr><td>8</td><td>Replacement of water dispenser filters on a regular basis.</td></tr><tr><td>9</td><td>Conduct fire drills and earthquake drills in conjunction with the office building.</td></tr><tr><td>10</td><td>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.</td></tr></table>	Specific Measures		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.	8	Replacement of water dispenser filters on a regular basis.	9	Conduct fire drills and earthquake drills in conjunction with the office building.	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.	N/A
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Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation						
	Y	N	Summary							
			<div><div>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.</div><div>12 Regular online e-newsletters on stress relief related topics and relaxation rooms are available.</div><div>13 Nursing and breastfeeding rooms are available for employees to use.</div></div>							
(4) Does the Company establish an effective career ability development training program for employees?	V		<div><div>(4) Every year, the Company formulates an annual talent development plan and provides physical and online functional courses for employees at all levels to enhance the effectiveness of learning in a variety of ways. In addition, we also support the development of employees' career abilities through systems and resources such as rotations, foreign training applications, and foreign language subsidies.</div><table><tr><th>Training Method</th><th>Content</th></tr><tr><td>Physical</td><td><div><div>1. Physical training is based on functions and is planned for each level of management and core functions, and is developed into various training programs such as supervisor book clubs, precious jade camps, cornerstone camps, strength classes, star classes, and top sales motivation.</div><div>2. Professional functions are taught by senior colleagues in each department by way of OJT to pass on the key points in terms of attitude, work, and skills, in order to enhance the work professionalism of employees.</div></div></td></tr><tr><td>Online</td><td><div><div>1. MBA Academy: divided into the Financial Management Academy, Marketing Academy, and Business Sales Academy to make the online courses more diversified and complete.</div><div>2. General courses: Provide courses in line with the trend of mental and technical skills to enhance the hard and soft skills of employees.</div><div>3. Legal Courses: In order to fulfill the self-regulatory responsibilities of TWSE/GTSM listed companies, we have arranged training courses on relevant regulations.</div></div></td></tr></table><div>In 2024, a total of 143 courses were offered for employee training (including online courses), with 27,838 participants completing the training.</div></div> <td>N/A</td>	Training Method	Content	Physical	<div><div>1. Physical training is based on functions and is planned for each level of management and core functions, and is developed into various training programs such as supervisor book clubs, precious jade camps, cornerstone camps, strength classes, star classes, and top sales motivation.</div><div>2. Professional functions are taught by senior colleagues in each department by way of OJT to pass on the key points in terms of attitude, work, and skills, in order to enhance the work professionalism of employees.</div></div>	Online	<div><div>1. MBA Academy: divided into the Financial Management Academy, Marketing Academy, and Business Sales Academy to make the online courses more diversified and complete.</div><div>2. General courses: Provide courses in line with the trend of mental and technical skills to enhance the hard and soft skills of employees.</div><div>3. Legal Courses: In order to fulfill the self-regulatory responsibilities of TWSE/GTSM listed companies, we have arranged training courses on relevant regulations.</div></div>	N/A
Training Method	Content									
Physical	<div><div>1. Physical training is based on functions and is planned for each level of management and core functions, and is developed into various training programs such as supervisor book clubs, precious jade camps, cornerstone camps, strength classes, star classes, and top sales motivation.</div><div>2. Professional functions are taught by senior colleagues in each department by way of OJT to pass on the key points in terms of attitude, work, and skills, in order to enhance the work professionalism of employees.</div></div>									
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(5) Des the Company comply with relevant laws and regulations and international standards	V		<div><div>(5) 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</div></div>	N/A						

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Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
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?			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.	
(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>(6) 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 2024, a total of 53 suppliers were collaborating with HFC, and the supplier assessment ratio was 100%. As a result, 51 suppliers were rated Grade A, 1 suppliers rated Grade B, and 1 suppliers rated Grade C.</p> <p>Content of supplier counseling and communication in 2024:</p> <ol style="list-style-type: none"> 1. Introduction to the Occupational Safety and Health Act. 2. Explanation of major occupational disasters. 	N/A
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.	N/A

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Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
			The 2024 Sustainability Report will be published on the Company's official website and the Market Observation Post System upon its completion. (https://esg.hfcfinance.com.tw/zh-tw/download)	
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.	<p>Other important information helpful to understand the Company's implementation of sustainable development: Our honors and recognition in 2024 are as follows:</p> <ol style="list-style-type: none"> 1. Taiwan Index - Constituent of the Corporate Governance 100 Index 2. Taiwan Index - Constituent of the Taiwan High Compensation 100 Index 3. Ranking in the top 6% - 20% of the 9th Corporate Governance Evaluation of TWSE/TPEX Listed Companies 4. Commonwealth Magazine's "Top 20 Enterprise Survey 2000" 5. CommonWealth Magazine Excellence in Corporate Social Responsibility - Top 100 in Sustainability Performance 6. CommonWealth Magazine 1.5°C Temperature Control Label 7. AREA Asia CSR Award - Social Welfare Development Award 8. Taiwan Corporate Sustainability Awards (TCSA) - Taiwan's Top 100 Sustainability Model Enterprises 9. The Taiwan Corporate Sustainability Awards (TCSA) Corporate Sustainability Report Awards - Platinum Award 10. TSAA Taiwan Sustainability Awards - Silver Award - Social Inclusion 11. 1111 Job Bank Happy Enterprise - Gold Award 12. Ministry of Transportation and Communications Golden Safety Award - Enterprise Contribution Award 13. Businessweek's carbon competitiveness top 100 14. British Chamber of Commerce in Taipei Outstanding Enterprise Contribution Award 15. Small and Medium Enterprise and Startup Administration, MOEA, BuyingPower Social Innovation Procurement Award - Participant 			

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2. Implementation of climate-related information

(1) Implementation of climate-related information

Evaluation Item	Implementation Status																			
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 Sustainable Management 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.																			
2. State how the identified climate risks and opportunities affect an enterprise's business, strategy, and finance (in the short, medium, and long term).	Impacts of climate risk issues on the Company <table><tr><th>Category</th><th>Risk</th><th>Impact period</th><th>Financial impact</th></tr><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></table>	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
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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																	
3. State the financial impact of extreme climate events and transition actions.	Impacts of climate opportunity issues on the Company <table><tr><th>Category</th><th>Opportunity issue</th><th>Impact period</th><th>Financial impact</th></tr><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>Medium 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></table> <p>Please refer to the Company's ESG Sustainability Report for details.</p>	Category	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	Medium 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	
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	R&D and innovation of new products and services	Medium 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.	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: <ol style="list-style-type: none">1. Identification: Collection of literature, industrial climate related risk and opportunity issues2. 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 Sustainable Management 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, 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" - based on the SSP5-8.5 Climate Scenario of the IPCC AR6 report as the assumption. The Company has performed quantitative analysis for three consecutive years. For details, please refer to the Company's ESG Sustainability Report.																			

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Evaluation Item	Implementation Status
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 as of the date.
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.	In order to achieve net-zero carbon emissions, the Company's headquarters formally introduced green power and obtained renewable energy certificates starting from November 2024. Statistics show that a total of 30 renewable energy certificates were obtained during the period from November to December 2024 (equivalent to the purchase of 30 kWh of green power).

(2) The Company's greenhouse gas inventory and assurance in the last 2 years

The Company's ESG Sustainability Report has disclosed information on annual greenhouse gas emissions for the past year. In 2024, we implemented ISO 14064-1 GHG inventory through a third-party inspection unit. The third-party inspection statement for each year's greenhouse gas inventory is also published on the Company's official website and in the sustainability report (<https://esg.hfcfinance.com.tw/zh-tw/content/37#cms4>).

Item/Year			2023	2024
Taiwan ^{Note 1}	Scope 1	Emissions (tons CO2e)	372.6235	367.4208
		Intensity (tons CO2e/million)	0.0191	0.0175
	Scope 2	Emissions (tons CO2e)	773.2749	806.8390
		Intensity (tons CO2e/million)	0.0396	0.0384
	Scope 3	Emissions (tons CO2e)	241.4787	249.1683
Overseas ^{Note 2}	Scope 1	Emissions (tons CO2e)	1,067.8114	678.1948
		Intensity (tons CO2e/million)	0.2349	0.1393
	Scope 2	Emissions (tons CO2e)	484.9859	845.6318
		Intensity (tons CO2e/million)	0.1067	0.1737
	Scope 3	Emissions (tons CO2e)	344.5422	281.8942
Taiwan + Overseas	Scope 1	Emissions (tons CO2e)	1,440.4349	1,045.6156
		Intensity (tons CO2e/million)	0.0599	0.0361
	Scope 2	Emissions (tons CO2e)	1,258.2608	1,652.4708
		Intensity (tons CO2e/million)	0.0523	0.0571
	Scope 3	Emissions (tons CO2e)	586.0209	531.0625
Percentage of inventory coverage			100%	100%
External verification unit			SGS Taiwan Ltd.	

Note 1: Taiwan's inventory boundary comprised 100% of the locations of 4 companies, namely HOTAI FINANCE CO., LTD, HEJING CO., LTD., HEJUN ENERGY CO., LTD. and Hotai Finance Development Co., Ltd.

Note 2: Overseas inventory boundary includes 100% of the locations of Hoyun International Leasing Co., Ltd.

Note 3: Other indirect emissions include business travel (taxi only), waste disposal (incineration), and purchase of goods and services (tap water).

Note 4: The final information on renewable energy certificates (RECs), emissions and intensity is based on the ESG Sustainability Report. (<https://esg.hfcfinance.com.tw/zh-tw/download>)

II. Corporate Governance Report

(3) Greenhouse gas reduction goals, strategies and specific actions:

In line with the “2050 Carbon Neutrality” goal of HOTAI FINANCE CO., LTD as a sustainable vision, we have implemented the tracking of greenhouse gas emissions and formulated an environmental policy statement. In order to achieve the goal of a sustainable environment, HOTAI FINANCE CO., LTD actively keeps abreast with international trends and regulations, and develops green finance and green energy in conjunction with its own business. The Company regularly tracks emission hotspots in accordance with ISO 14064-1 temperature inventory results every year, reviews and adjusts management actions on a rolling basis, establishes an environmental management information system, implements an environmental culture, and discloses information to the public. Based on the scientific quantitative data of the ISO14064-1 temperature inventory and the characteristics of the Company’s industry, our energy consumption is based on “gasoline in Scope 1, electricity in Scope 2, and water and waste disposal in Scope 3” as the emission hotspots.

Scope	Item	Action Strategy	2050 Carbon Neutrality Goal	Quantitative Indicator Tracking	
				2023	2024
Scope 1	Gasoline	<ul style="list-style-type: none"> Replacing business vehicles with electric/petrol scooters Encouragement in taking public transportation 	Zero internal combustion engine vehicles	30.6% of non-pure diesel vehicles	72% of non-pure diesel vehicles
Scope 2	Electricity	<ul style="list-style-type: none"> Optimization of air conditioning operation Promotion of first-class products for electrical appliances 	Enhance energy efficiency	<ul style="list-style-type: none"> Electricity consumption per capita of 1,320.52 KWH Average power consumption per million revenues of 84.09 KWH 	<ul style="list-style-type: none"> Electricity consumption per capita of 1,372.89 KWH Average power consumption per million revenues of 83.03 KWH
		<ul style="list-style-type: none"> Use of renewable energy Promoting green energy 	Externally-purchased electricity Net Zero Carbon Emission	211 metered solar energy sites with a total installation capacity of 60.1MW and an estimated annual carbon reduction effect of 36,593 tons CO2e	<ul style="list-style-type: none"> Green power was introduced to the head office, with an estimated annual carbon reduction of 90 tons CO2e since November 2024. 309 (746%) metered solar energy sites with a total installation capacity of 88.1 MW (746%) and an estimated annual carbon reduction effect of 55,534 tons CO2e
Scope 3	Water consumption	<ul style="list-style-type: none"> Installation of water-saving devices Water conservation advocacy and promotion 	Reduced per capita water consumption by 1% compared to the base year	<ul style="list-style-type: none"> Water consumption per capita of 9.03 thousand liters Average water consumption per million revenues of 0.58 tons 	<ul style="list-style-type: none"> Water consumption per capita of 6.86 thousand liters Average water consumption per million revenues of 0.41 tons The carbon reduction benefit reached 0.308 metric tons of CO2e.
	Waste	<ul style="list-style-type: none"> Promoting digital paperless Waste reduction and document destruction recycling 	Promoting a paperless work environment	<ul style="list-style-type: none"> Digitalization saves 26,850 thousand sheets of paper, equivalent to a reduction of 204,030 kg of CO2e. Document destruction recycling 8.26 tons 	<ul style="list-style-type: none"> Digitalization saves 9,650 thousand sheets of paper, equivalent to a reduction of 59,498 kg of CO2e. Document destruction recycling 6.27 tons

Note 1: Priority is given to setting a 2050 carbon reduction target for business operations in Taiwan, including subsidiaries, in alignment with reporting guidelines.

Note 2: The final information on quantitative tracking indicators is based on the ESG Sustainability Report.
(<https://esg.hcfinance.com.tw/zh-tw/download>)

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

Evaluation Item	Implementation Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies 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		(1) The Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Guidelines, and Code of Ethics 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.	N/A
(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 Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		(2) 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 "Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Guidelines" 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.	N/A
(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		(3) Our Workplace Rules and Ethical Corporate Management Best Practice Principles 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.	N/A

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Evaluation Item	Implementation Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies 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		(1) 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.	N/A
(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		(2) The Planning and Administration Department is the business unit charged with the responsibilities of amending, implementing, explaining, and providing consultation with respect to the Ethical Corporate Management Best Practice Principles, 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. On December 17, 2024, the implementation of the integrity management supervision for 2024 has been reported to the 7th meeting of the 11th Board of Directors.	N/A
(3) Has the Company established policies to prevent conflicts of interest, provided appropriate communication channels, and properly implemented the policies and measures?	V		(3) The Company's Code of Conduct for Integrity has a conflict of interest prevention policy, and The Rules and Procedures of Board Meetings 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.	N/A
(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 unethical behaviors accordingly, or engaged external auditors to do so?	V		(4) 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.	N/A
(5) Does the Company regularly hold internal and external educational trainings on ethical business practices?	V		(5) The Company holds regular education and training on ethical corporate management. In 2024, the education and training for ethical corporate management included: intellectual property rights, anti-bribery, information security education, prevention of insider trading, personal data act, the trade secrets act, employee non-compete obligations, occupational safety, and human rights issues. Class Size: 930 students/class Class Hours: 30~60 minutes/class Total Number of Class Hours per Person: 7.4 hours	N/A

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Evaluation Item	Implementation Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
3. Reporting system				
(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?	V		(1) We have adopted specific reward and whistleblower system through the Ethical Corporate Management Best Practice Principles and Code of Ethics, 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.	N/A
(2) Has the Company established standard operating procedures, post-investigation follow-up, and confidentiality measures for the investigation of reported incidents?	V		(2) 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.	N/A
(3) Does the Company take precautionary measures to protect whistleblowers from reprisals?	V		(3) 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.	N/A
4. Enhancing information disclosure				
(1) Has the Company disclosed its ethical corporate management policies and results of implementation on the Company's website and MOPS?	V		(1) We have disclosed our ethical business practices under the Ethical Corporate Management Best Practice Principles on our corporate website and MOPS.	N/A
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and its practices: We have adopted our own Ethical Corporate Management Best Practice Principles and Ethical Corporate Management Operating Procedures and Guidelines which we continue to adhere to in our ethical business practices. There is no major deviation between the Principles and our practices.				
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 Ethical Corporate Management Best Practice Principles):				
1. We strictly comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, and other regulations relevant to commercial activities as the basis of implementing ethical corporate business management.				
2. We actively promote operating transparency and encourage the cooperation of our business partners (including dealers and suppliers) to maintain the reputation of our business.				

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

2.3.8 Implementation Status of Internal Control

1. Statement of Internal Control: Please refer to the Market Observation Post System

MOPS Market Observation Post System > Individual Company > Corporate Governance > Company Regulations/Internal Control > Internal Control System Statement Disclosure

<https://mopsov.twse.com.tw/nas/cont06/c6592113011140306.pdf>

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Hotai Finance Co., Ltd. Statement of Internal Control

Date: March 06, 2025.

Based on an evaluation of our internal control system for the year 2024, 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, 2024, 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 06, 2025, with nine directors present at the meeting.

Hotai Finance Co., Ltd.

Yuan-Sheng Liu
Chairman

Yen-Liang Lin
President

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.

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2.3.9 Major Resolutions of the Shareholders Meeting and Board Meetings

(1) Major Resolutions of the 2024 Annual General Meeting of Shareholders Held on May 29, 2024 and Implementation Status:

Major Resolutions	Implementation Status
1. Ratification of 2023 Business Report and Financial Statements	Announced and reported as required. Consolidated net income after tax for the year was NT\$4.09 billion and earnings per share was NT\$5.83.
2. Ratification of 2023 distribution of earnings proposal	(1) Type-A special dividend (NT\$ 4.2 per share) Type-B special dividend (NT\$ 1.5410959 per share) Common stock cash dividends (NT\$ 3 per share) Stock dividends for common shares (NT\$ 1 per share) (2) Ex-dividend date, ex-rights date and issuance of new shares for capital increase: July 22, 2024 (3) Dividend payout date: August 16, 2024
3. Passed the issuance of new shares for capital increase by earnings	56,650,045 shares (NT\$ 10 per share) were issued for capital increase, and 100 shares were distributed for every 1,000 shares. Allocated for distribution on August 16, 2024.
4. Passed the amendment to the Company's "Articles of Incorporation"	Approved for registration by the Ministry of Economic Affairs and announced on the corporate website on June 19, 2024.
5. Passed the amendment to the Company's "Procedures for Endorsement and Guarantee"	Announcement has been made on the corporate website.
6. Election of directors for the 11th term	The total number of directors elected at the Annual General Meeting of Shareholders held on May 29, 2024 is 9 (including 3 independent directors). The list is as follows: Representatives of Hozan Investment Co., Ltd.: Yuan-Sheng Liu, Chwen-Shing Su, ROGER HUANG, Leon Soo, Ryan Huang Representatives of Toyota Financial Services Corporation: Tetsuo Higuchi, Ming-You Huang, Min-Chieh Chang, Yu-Chih Liu
7. Passed the lifting of non-compete restrictions on the newly elected directors	The announcement will be made on MOPS after the AGM on May 29, 2024.

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(2) Important resolutions of the Board of Directors from 2024 to the publication date of the annual report:

Date of Board Meeting	Major Resolutions
January 24, 2024 23rd meeting of the 10th Board	<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 HEJUN ENERGY CO., LTD. and its correspondent financial institutions 6. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions 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 8. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions
March 12, 2024 24th meeting of the 10th Board	<ol style="list-style-type: none"> 1. 2023 Business Report and Financial Statements 2. 2023 distribution of remuneration to employees 3. 2023 distribution of earnings proposal 4. Issue new shares for capital increase by earnings 5. Amendment to the Company's "Articles of Incorporation" 6. Full re-election of directors 7. Lifting of non-compete restrictions on the newly elected directors and their representatives 8. Matters Relating to the Convening of the 2024 Annual General Meeting of Shareholders 9. Lifting of non-compete restrictions on managers 10. Statement on Internal Control System 11. Proposed sale of domestic property to a related party 12. Financing endorsement/guarantee to be made to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and its correspondent financial institutions 13. Proposal for issuing the Letter of Support (LOS) for the financing between HEJING CO., LTD. and its counterparty financial institutions 14. Proposal for issuing the Letter of Support (LOS) for financing between HEJUN ENERGY CO., LTD. and its correspondent financial institutions. 15. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions 16. Amendments to Corporate Governance Related Regulations
May 08, 2024 25th meeting of the 10th Board	<ol style="list-style-type: none"> 1. 2024 Q1 Consolidated Financial Statements 2. Performance bonus for managerial officers and profit-sharing remuneration for employees for 2023 3. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions 4. Proposal for issuing the Letter of Support (LOS) for the financing between HEJING CO., LTD. and its counterparty financial institutions 5. Proposal for issuing the Letter of Support (LOS) for financing between HEJUN ENERGY CO., LTD. and its correspondent financial institutions. 6. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions 7. Amendment to the internal control system (I) 8. Amendment to the internal control system (II) 9. Change of anti-money laundering and counter terrorism specialists
May 29, 2024 1st meeting of the 11th Board	<ol style="list-style-type: none"> 1. Election of Chairman of the Board

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Date of Board Meeting	Major Resolutions
June 13, 2024 2nd meeting of the 11th Board	<ol style="list-style-type: none"> 1. Adjustments to the 2024 budget 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. Acquisition of the right-of-use of property from a related party by leasing 5. Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions 6. Proposal for issuing the Letter of Support (LOS) for the financing between HEJING CO., LTD. and its counterparty financial institutions 7. Proposal for issuing the Letter of Support (LOS) for financing between HEJUN ENERGY CO., LTD. and its correspondent financial institutions. 8. Change in the Company's Chief Finance Officer 9. Appointment of Remuneration Committee members 10. Appointment of Risk Management Committee members 11. Appointment of ESG Sustainable Management Committee members 12. Preparation and issuance of the 2023 Sustainability Report 13. Change of the custodian of the seal of the Ministry of Economic Affairs
June 28, 2024 3rd meeting of the 11th Board	<ol style="list-style-type: none"> 1. Remuneration to 11th Directors 2. Amendment to the Company's "Lending Procedures" 3. Amendment to the Company's "Procedures for Endorsement and Guarantee"
August 08, 2024 4th meeting of the 11th Board	<ol style="list-style-type: none"> 1. 2024 Q2 Consolidated Financial Statements 2. Managerial officers' salary adjustment for 2024 3. Proposal to participate in the cash capital increase by HEJUN Energy Co., Ltd. 4. Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions 5. Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions 6. Proposal for issuing the Letter of Support (LOS) for the financing between HEJING CO., LTD. and its counterparty financial institutions 7. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions 8. Amendment to the internal control system 9. Change of anti-money laundering and counter terrorism specialists 10. Amendment to the "Sustainable Development Best-Practice Principles" 11. Amendment to the "ESG Sustainable Management Committee Organizational Charter" 12. Establishment of the "Sustainable Financial Policy" 13. Establishment of the "Financial Inclusion Policy" 14. Establishment of the "Tax Governance Policy"
August 20, 2024 5th meeting of the 11th Board	<ol style="list-style-type: none"> 1. The Company's proposed disposal of an important subsidiary - Shareholding in Hoing Mobility Service Co. Ltd. 2. Change in the Company's Cooperate Governance Officer
November 07, 2024 6th meeting of the 11th Board	<ol style="list-style-type: none"> 1. 2024 Q3 Consolidated Financial Statements 2. Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions 3. Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions 4. Proposal to issue common corporate bonds 5. Proposal to raise overseas loans 6. Proposal for issuing the Letter of Support (LOS) for the financing between HEJING CO., LTD. and its counterparty financial institutions 7. Proposal for issuing the Letter of Support (LOS) for financing between HEJUN ENERGY CO., LTD. and its correspondent financial institutions. 8. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions 9. Amendment to the Procedures for the Preparation and Validation of the Sustainability Report

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Date of Board Meeting	Major Resolutions
December 17, 2024 7th meeting of the 11th Board	<ol style="list-style-type: none"> 2025 Budget 2025 audit plan Appointment of CPAs and evaluation of independence and suitability Endorsement/Guarantee to HEJUN ENERGY CO., LTD. and its correspondent financial institutions Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions
January 14, 2025 8th meeting of the 11th Board	<ol style="list-style-type: none"> Early termination of the leasing of right-of-use of property from a related party Endorsement/Guarantee to Hotai Finance Development Co., Ltd. and its correspondent financial institutions Endorsement/Guarantee Provided to Hoyun (Shanghai) Commercial Factoring Co., Ltd. and Its Financial Institutions Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions Amendments to Corporate Governance Related Regulations
March 06, 2025 9th meeting of the 11th Board	<ol style="list-style-type: none"> 2024 Business Report and Financial Statements 2024 distribution of remuneration to employees 2024 distribution of earnings proposal Amendment to the Company's "Articles of Incorporation" Lifting of non-compete restrictions on directors Matters Relating to the Convening of the 2025 Annual General Meeting of Shareholders Lifting of non-compete restrictions on managers Personnel Proposal Change in the Company's Internal Audit Officer Amendment to the internal control system Statement on Internal Control System Proposal for issuing the Letter of Support (LOS) for the financing between HEJING CO., LTD. and its counterparty financial institutions Proposal for issuing the Letter of Support (LOS) for financing between HEJUN ENERGY CO., LTD. and its correspondent financial institutions. Proposal of issuing a Letter of Support (LOS) for financing between Hoyun International Leasing Co., Ltd. and its counterparty financial institutions

2.3.10 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.

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2.4 Audit Fees:

2.4.1 Audit Fees

Unit: NT\$ thousands

Accounting Firm	Auditors	Audit Period	Audit Fees	Non-audit Fees				Total	Remarks
PricewaterhouseCoopers Taiwan	Chun-Yuan Hsiao Chia-Hung Lin	2024/1/1 ~ 2024/12/31	\$4,245	\$2,123				\$6,368	Non-audit fees include: tax compliance audit, company registration, ESG assurance, and other project consultation fees, etc.
				System Design	Company Registration	Human Resources	Others		
				—	\$58	—	\$2,065		

2.4.2 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.

2.4.3 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: N/A.

2.5 Disclosure of Change of Auditors

2.5.1 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 Chun-Yuan Hsiao are replaced by Chun-Yuan Hsiao and Chia-Hung Lin.
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 Regulations Governing Information to be Published in the Annual Reports of Public Companies	N/A

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2.5.2 Successor Auditor(s):

Accounting firm	PricewaterhouseCoopers Taiwan
Auditors	Chun-Yuan Hsiao and Chia-Hung Lin
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

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

2.6 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.

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2.7 Changes in Shareholding of Directors, Managerial Officers, and Major Shareholders

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

Please refer to the Market Observation Post System:

MOPS (Market Observation Post System) > Individual Company > Shareholding Changes / Securities Issuance > Share Transfer Information Inquiry > Post-Reporting of Insider Shareholding Changes

<https://mopsov.twse.com.tw/mops/web/stapap1>

https://emops.twse.com.tw/server-java/stapap1_e?step=historical&co_id=6592&TYPEK=sii

2.7.2 If the counterparty to a transfer or pledge of stock is a related party, the name of the counterparty, the relationship with the Company, its directors, managers, and shareholders holding more than 10% of the stock, and the number of shares acquired or pledged should be disclosed: N/A.

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2.8 Relationships Among the Top 10 Shareholders

March 29, 2025

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 of Shares	%	Number of Shares	%	Number of Shares	%	Property Type	Relationship	
Hozan Investment Co, Ltd. Representative: Chwen-Shing Su	282,879,511	45.40%	-	-	-	-	Hoyu Investment Co., Ltd.	Other related parties	-
Toyota Financial Services Corporation Representative: Hiroyoshi Korosue	143,082,344	22.96%	-	-	-	-	-	-	-
Hoyu Investment Co., Ltd. Representative: Li-Hua Lin	10,047,470	1.61%	-	-	-	-	Hozan Investment Co., Ltd.	Other related parties	-
Chunghwa Post Co., Ltd. Representative: Kuo-Tsai Wang	3,137,710	0.50%	-	-	-	-	-	-	-
Standard Chartered Bank., Main Branch in custody for the investment account of Advanced Total International Stock Index Fund, a series of Advanced Starlight Funds.	2,716,120	0.44%	-	-	-	-	-	-	-
Standard Chartered Bank., Main Branch in custody for the investment account of Vanguard Emerging Markets Stock Index Fund, managed by Vanguard Group.	2,566,080	0.41%	-	-	-	-	-	-	-
Lifong Global Co., Ltd. Representative: Li-Chun Chen	2,420,000	0.39%	-	-	-	-	-	-	-
Kun-Chin Shen	2,330,800	0.37%	-	-	-	-	-	-	-
Ming Yi Investment Co., Ltd. Representative: Sung-Po Tsai	2,256,650	0.36%	-	-	-	-	-	-	-
Wei Heng Asset Management Co., Ltd. Representative: Ching-Yuan Huang	1,650,000	0.26%	-	-	-	-	-	-	-

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

II. Corporate Governance Report

2.9 Share Ownership in Affiliates

Unit: 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	Percentage	Number of Shares	Percentage	Number of Shares	Percentage
HOYUN INTERNATIONAL LIMITED	40,400,000	50.5%	39,600,000	49.5%	80,000,000	100%
Hotai Finance Development Co., Ltd.	300,000,000	100%	-	-	300,000,000	100%
HEJING Co., Ltd.	244,610,118	81%	-	-	244,610,118	81%
HEJUN Energy Co., Ltd.	224,000,000	80%	-	-	224,000,000	80%
HFC (Cambodia) Microfinance PLC	5,600,000	35%	-	-	5,600,000	35%
Hotai Mobility Service Co., Ltd.	12,000,000	27.4%	-	-	12,000,000	27.4%

Note 1: The investment is made under the equity method on December 31, 2024.

Note 2: The Company's corporate shareholders, Hozan Investment Co, Ltd. and Toyota Financial Services Corporation, hold 49.5% shares of Hoyun International Limited through its subsidiary, Hotai Leasing Co., Ltd.

III. Fundraising

3.1 Capital and Shares

3.1.1 Source of Capital

Units: thousand shares/NT\$ thousands

Month/Year	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital increased by Assets Other than Cash	Others
May 1999	10	30,000	300,000	30,000	300,000	Equity received at incorporation	—	Note 1
August 2001	10	100,000	1,000,000	49,800	498,000	Cash capital increase	—	Note 2
August 2002	10	100,000	1,000,000	57,270	572,700	Capitalization of earnings	—	Note 3
August 2003	10	100,000	1,000,000	65,861	658,605	Capitalization of earnings	—	Note 4
July 2004	10	100,000	1,000,000	75,740	757,396	Capitalization of earnings	—	Note 5
February 2005	19.5	101,381	1,013,808	101,381	1,013,808	Cash capital increase	—	Note 6
August 2005	10	150,000	1,500,000	113,547	1,135,465	Capitalization of earnings	—	Note 7
July 2006	10	150,000	1,500,000	131,714	1,317,139	Capitalization of earnings	—	Note 8
August 2007	10	150,000	1,500,000	142,251	1,422,511	Capitalization of earnings	—	Note 9
November 2008	10	200,000	2,000,000	155,053	1,550,537	Capitalization of earnings	—	Note 10
August 2009	10	200,000	2,000,000	167,457	1,674,579	Capitalization of earnings	—	Note 11
July 2010	10	200,000	2,000,000	177,505	1,775,055	Capitalization of earnings	—	Note 12
July 2011	10	200,000	2,000,000	192,593	1,925,934	Capitalization of earnings	—	Note 13
July 2012	10	300,000	3,000,000	217,631	2,176,306	Capitalization of earnings	—	Note 14
August 2013	10	300,000	3,000,000	248,099	2,480,988	Capitalization of earnings	—	Note 15
July 2014	10	300,000	3,000,000	280,352	2,803,517	Capitalization of earnings	—	Note 16
August 2015	10	400,000	4,000,000	313,994	3,139,939	Capitalization of earnings	—	Note 17
July 2016	10	400,000	4,000,000	350,103	3,501,032	Capitalization of earnings	—	Note 18
August 2017	10	400,000	4,000,000	374,610	3,746,104	Capitalization of earnings	—	Note 19
January 2020	53	600,000	6,000,000	515,000	5,150,004	Cash capital increase	—	Note 20
October 2022	100	1,000,000	10,000,000	565,000	5,650,004	Issue preferred stock A	—	Note 21
August 2023	10	1,000,000	10,000,000	616,500	6,165,004	Capitalization of earnings	—	Note 22
September 2023	100	1,000,000	10,000,000	666,500	6,665,004	Issue preferred stock A	—	Note 23
August 2024	10	1,000,000	10,000,000	723,150	7,231,505	Capitalization of earnings	—	Note 24

III. Fundraising

- 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 05, 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 06, 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 07, 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 08, 2017
 Note 20: Approved by letter Jing Shou Shang Zi No. 10801188570 dated January 06, 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 07, 2023
 Note 23: Approved by letter Jing Shou Shang Zi No. 11230173010 dated September 11, 2023
 Note 24: Approved by letter Jing Shou Shang Zi No. 11330135930 dated August 06, 2024

Unit: shares

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common shares	623,150,493	276,849,507	1,000,000,000	Shares listed on TWSE
Preferred shares	100,000,000			

Shelf Registration: N/A

III. Fundraising

3.1.2 Major Shareholders

March 29, 2025

Shareholders	Shares	
	Share Ownership	Percentage
Hozan Investment Co., Ltd.	282,879,511	45.40%
Toyota Financial Services Corporation	143,082,344	22.96%
Hoyu Investment Co., Ltd.	10,047,470	1.61%
Chunghwa Post Co., Ltd.	3,137,710	0.50%
Standard Chartered Bank., Main Branch in custody for the investment account of Advanced Total International Stock Index Fund, a series of Advanced Starlight Funds.	2,716,120	0.44%
Standard Chartered Bank., Main Branch in custody for the investment account of Vanguard Emerging Markets Stock Index Fund, managed by Vanguard Group.	2,566,080	0.41%
Lifong Global Co., Ltd.	2,420,000	0.39%
Kun-Chin Shen	2,330,800	0.37%
Ming Yi Investment Co., Ltd.	2,256,650	0.36%
Wei Heng Asset Management Co., Ltd.	1,650,000	0.26%

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

3.1.3 The Company's dividend policy and implementation

(1) Dividend policy:

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

III. Fundraising

- (2) Dividend distribution (already discussed) this year:

The 2024 distribution of earnings proposal of the Company was approved by the Board of Directors on March 6, 2025, and the dividends were distributed as follows:

Distribution Item	Amount (NT\$)
Type-A special dividend (NT\$ 4.2 per share)	210,000,000
Type-B special dividend (NT\$ 4.5 per share)	225,000,000
Common stock cash dividends (NT\$ 3.0 per share)	1,869,451,479

- 3.1.4 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

- 3.1.5 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 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 2024 is NT\$ 39,939 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.

III. Fundraising

(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 2023 through the 2024/5/29 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 2023 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 2023	Resolution of the Board of Directors	Change
Remuneration to employees	48,460	48,460	-

3.1.6 Shares repurchased by the Company: None.

III. Fundraising

3.2 Corporate Bonds:

Type of Bonds		2020 1st unsecured corporate bond	2021 1st unsecured corporate bond	2021 2nd unsecured corporate bond
Issuance Date		April 22, 2020	April 15, 2021	July 22, 2021
Denomination (NT\$)		1,000,000	1,000,000	1,000,000
Location of Issuance and Trading		Taiwan	Taiwan	Taiwan
Issue Price		At par	At par	At par
Total Amount (NT\$)		7,000,000,000	2,200,000,000	3,000,000,000
Coupon Rate		Fixed rate of 0.70%	Fixed rate of 0.55%	Fixed rate of 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		N/A	N/A	N/A
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		PricewaterhouseCoopers Taiwan CPA Fang-Yu Wang CPA Se-Kai Lin	PricewaterhouseCoopers Taiwan CPA Fang-Yu Wang CPA Se-Kai Lin	PricewaterhouseCoopers Taiwan CPA Fang-Yu Wang CPA Se-Kai Lin
Repayment		Repayment in lump sum from the issuance date	Repayment in lump sum from the issuance date	Repayment in lump sum from the issuance date
Outstanding Principal		7,000,000,000	2,200,000,000	3,000,000,000
Redemption or Early Repayment Clauses		N/A	N/A	N/A
Restrictive Clauses		N/A	N/A	N/A
Credit Rating		N/A	N/A	N/A
With Other Rights	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	N/A
	Issuance and conversion (exchange or subscription) terms	N/A	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		N/A	N/A	N/A
Custodian		N/A	N/A	N/A

III. Fundraising

Type of Bonds		2022 2nd secured corporate bond	2023 1st unsecured corporate bond	2023 2nd secured corporate bond
Issuance Date		June 06, 2022	March 28, 2023	October 27, 2023
Denomination (NT\$)		1,000,000	1,000,000	1,000,000
Location of Issuance and Trading		Taiwan	Taiwan	Taiwan
Issue Price		At par	At par	At par
Total Amount (NT\$)		7,000,000,000	4,000,000,000	5,000,000,000
Coupon Rate		Fixed rate of 1.50%	Fixed rate of 1.50%	1.49%
Maturity		3 Years Maturity Date: June 06, 2025	5 Years Maturity Date: March 28, 2028	2 Years Maturity Date: October 27, 2025
Guarantor		Hua Nan Bank Chengdong Branch Bank of Taiwan Songjiang Branch	N/A	Mizuho Bank, Ltd. Taipei Branch
Trustee		BANK SINOPAC	BANK SINOPAC	BANK SINOPAC
Underwriter		Hua Nan Bank	CAPITALSECURITIESCORP.	HUA NAN SECURITIES
Legal Counsel		Guo, Hui-Ji Yi Cheng Law Firm	Guo, Hui-Ji Yi Cheng Law Firm	Guo, Hui-Ji Yi Cheng Law Firm
Auditor		PricewaterhouseCoopers Taiwan CPA Fang-Yu Wang CPA Chun-Yuan Hsiao	PricewaterhouseCoopers Taiwan CPA Chun-Yuan Hsiao CPA Chia-Hung Lin	PricewaterhouseCoopers Taiwan CPA Chun-Yuan Hsiao CPA Chia-Hung Lin
Repayment		Repayment in lump sum from the issuance date	Repayment in lump sum from the issuance date	Repayment in lump sum from the issuance date
Outstanding Principal		7,000,000,000	4,000,000,000	5,000,000,000
Redemption or Early Repayment Clauses		N/A	N/A	N/A
Restrictive Clauses		N/A	N/A	N/A
Credit Rating		N/A	N/A	N/A
With Other Rights	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	N/A
	Issuance and conversion (exchange or subscription) terms	N/A	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		N/A	N/A	N/A
Custodian		N/A	N/A	N/A

III. Fundraising

3.3 Issuance of Preferred Stock:

Item		Preferred Share A
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\$5,000,000,000
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"> 1. 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. 2. 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. 3. 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. 4. 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>

III. Fundraising

Outstanding Preferred Stocks	Redeemed or Converted Amount	0	
	Un-redeemed or Un-converted Balance	NT\$5,000,000,000	
	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	98.2
		Lowest	93.3
		Average	96.2
	2024	Highest	99.9
		Lowest	93.5
		Average	96.5
	The Current Year up to March 31	Highest	98.8
		Lowest	95.2
		Average	96.4
With Other Rights	Converted or Subscribed Amount as of the Date of Publication of the Annual Report	N/A	
	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		N/A	

III. Fundraising

Item		Preferred Share B
Issue Date		September 01, 2023 (Initial Issuance)
Denomination		NT\$10
Issue Price		NT\$100 per share
Number of Shares		50,000,000 shares
Total Amount		NT\$5,000,000,000
Rights and Obligations	Distribution of Dividends and Bonuses	Preferred stock at 4.5% per annum (5-year IRS rate of 1.4325% + 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"> 1. 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. 2. 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. 3. 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. 4. 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>

III. Fundraising

Outstanding Preferred Stocks	Redeemed or Converted Amount	0	
	Un-redeemed or Un-converted Balance	NT\$5,000,000,000	
	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	95.1
		Lowest	91.6
		Average	93.4
	2024	Highest	96.6
		Lowest	93.7
		Average	95.2
	The Current Year up to March 31	Highest	98.5
		Lowest	96.5
		Average	97.9
With Other Rights	Converted or Subscribed Amount as of the Date of Publication of the Annual Report	N/A	
	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		N/A	

III. Fundraising

3.4 Global Depository Receipts: N/A.

3.5 Employee Stock Options: N/A

3.6 Employee Restricted Stocks: N/A

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

3.8 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.

IV. Business Overview

4.1 Business Operations

4.1.1 Business Activities

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

IV. Business Overview

2. Percentage of Operations of the Company and its Subsidiaries

Unit: NT\$ thousands

Year	2023		2024	
Item	Amount	%	Amount	%
Sales Income	1,463,411	5.11	1,445,514	4.99
Interest Income	17,513,683	61.11	19,008,884	65.63
Finance Lease Income	3,291,243	11.48	3,824,906	13.20
Operating Lease Income	4,833,219	16.86	3,309,226	11.43
Service Income	1,339,781	4.68	941,865	3.25
Other Income	219,098	0.76	433,435	1.50
Total	28,660,435	100.00	28,963,830	100.00

Source: 2023 and 2024 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

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 Co., Ltd.	Leasing of vehicles
Hangzhou Yiyao Network Technology Co., Ltd.	Leasing business
Hangzhou Wangyou Technology Co., Ltd.	Leasing business
Hemei International Trade (Suzhou) Co., Ltd.	Goods trading business
Hoyun International Leasing Co., Ltd.	Structured entity
HEJING Co., Ltd.	Installment sales of various vehicles
Hotai Finance Development Co., Ltd.	Installment sales of various equipments
HEJUN Energy Co., Ltd.	Solar energy business
Wei Tien Energy Storage Co., Ltd.	Energy storage business
ChaoYang Energy Co., Ltd.	Solar energy business
Guang Yang Energy Co., Ltd.	Solar energy business
XianYao Energy Co., Ltd.	Solar energy 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
Pacific One Energy Ltd.	Solar energy business
Ruei Yang Guang Dian Co., Ltd.	Solar energy business
Jun Te Energy Co., Ltd.	Solar energy business
Hon Yang Energy Co., Ltd.	Solar energy business

Note: The above table does not include Hoyun International Leasing Co., Ltd.'s "2024 First Phase of Industrial Upgrade Support Micro-Asset-Backed Notes Trust" under the consolidated financial statements.

IV. Business Overview

4.1.2 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.

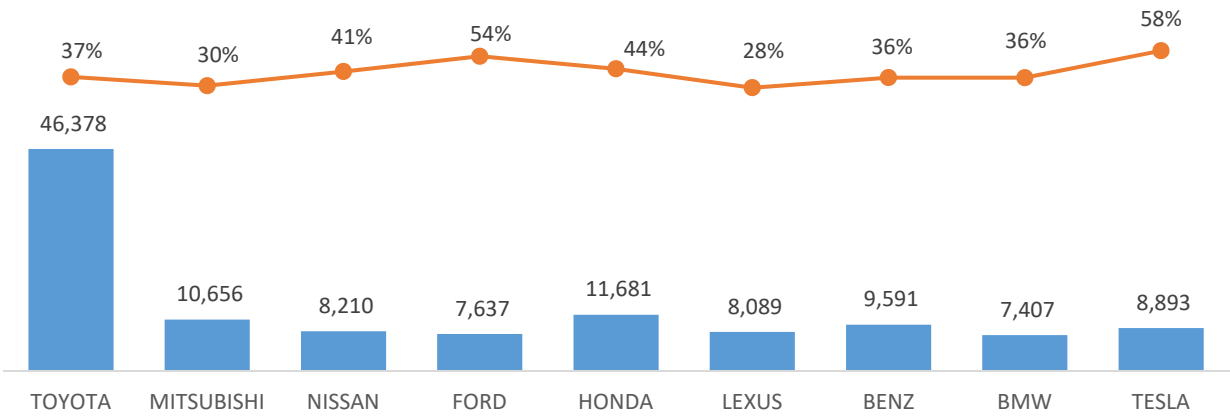
- New vehicle sales and installment sales in Taiwan from 2020 to 2024:

Unit: 1,000 vehicles

Year	2020	2021	2022	2023	2024
New Vehicle Sales	457	450	430	477	458
Installment Sales	192	187	178	182	183
Installment to New Vehicle Sales Ratio	42%	42%	41%	38%	40%

Sources: Ministry of Transportation and Communications and internal data compiled by the corporate group on February 5, 2025

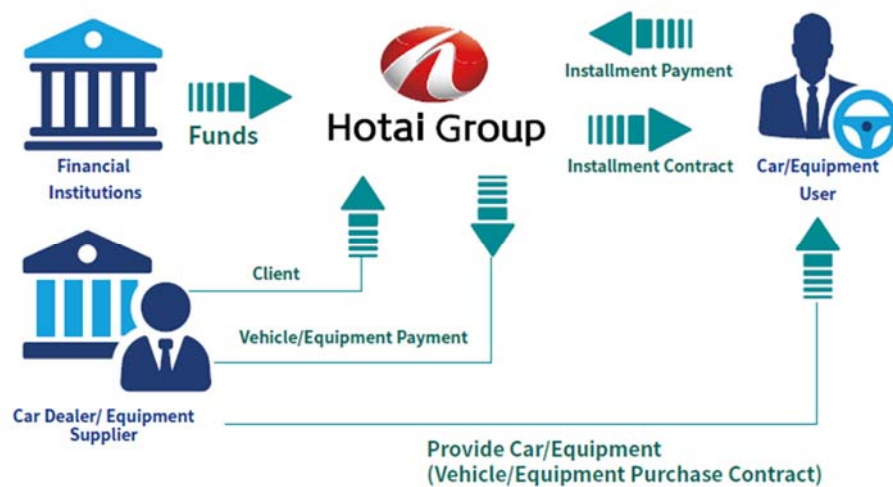
- Installment sales and installment to new vehicle sales ratio of major automakers in 2024:



Sources: Ministry of Transportation and Communications and internal data compiled by the corporate group on February 5, 2025

IV. Business Overview

(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:

IV. Business Overview

Item	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., KGI Finance & Leasing Corporation, SinoPac Leasing Corp., IBF Financial Holding Co., Ltd., Taichung Bank Leasing Corporation Limited, Union Finance & Leasing (Int'l) Corp., 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., and Taihsin D.A. Finance Co., Ltd.
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 Hotai Finance Development
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	12	Chailease Finance Co., Ltd., Robina Finance & Leasing Corp., Fina Finance & Trading Co., Ltd., Far Trust International Finance Co., Ltd., Yuan Xin International Finance Co., Ltd., Cosmos Leasing Co., Ltd., Infinite Finance Co., Ltd., Infinite Commercial Finance Co., Ltd., Yiho International Leasing Co., Ltd., Chang Hong Co., Ltd., Chailease Consumer Finance Co., Ltd., and Chailease Auto Rental Co., Ltd.

Source: 2025/2/5 Taipei Leasing Association website, and internal data by the Company.

4.1.3 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.

IV. Business Overview

4.1.4 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, enhance the intensity of its channel operations, and increase the penetration rate 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 installment; expand motorcycle and product installment 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.

IV. Business Overview

4.2 Market and Sales Overview

4.2.1 Market Analysis

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

Unit: NT\$ thousands

Year	2023		2024	
Region	Amount	%	Amount	%
Taiwan	24,362,237	85	24,096,122	83
China	4,298,198	15	4,867,708	17
Total	28,660,435	100	28,963,830	100

- (2) Market Share

The automotive financing products underwritten by the Company in 2024 are approximately NT\$92.9 billion. The Company has stably maintained its position as the market leader among the automotive installment service providers. Based on the overall installment number of cars in Taiwan at 182,954 units in 2024, the Group has contracted 57,307 contracts in 2024, with a market share of 31.3%, and has a significant market position.

Unit: cars/cases

Vehicle Installment Market Share					
Year	2020	2021	2022	2023	2024
Registered Vehicles	457,435	449,859	429,731	476,987	457,830
Vehicles with Financing	191,797	186,975	177,632	182,334	182,954
Vehicles with Financing to Registered Vehicles	41.90%	41.60%	41.30%	38.20%	39.96%
Undertaken by HFC	52,203	57,991	48,760	50,799	57,307
HFC Market Share	27.20%	31.00%	27.50%	27.90%	31.32%

Sources: Ministry of Transportation and Communications and internal data compiled by the corporate group on February 5, 2025

- (3) Future market supply, demand and growth:

A. Overview of the Domestic Vehicle Market

Looking ahead to 2025, despite uncertainties and challenges in the international political and economic environment, the market of Taiwan will remain relatively stable and is estimated to remain at 450,000 units throughout year. 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 and retain our customers to consolidate the Group's mobility as a service (MaaS).

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 three major industries (medical, machine tools, and construction equipment) and continue to develop product channels and actively pursue quality customers, while maintaining its existing customers and expanding the scale of its undertaking business

IV. Business Overview

C. Overview of the Commercial Vehicle Market

With the continued promotion of the “Forward-looking Infrastructure Program” and the extension of the Replacement Goods Tax Subsidy Policy to 2026, the commercial vehicle market is expected to show a steady growth in 2025 driven by policy and market demand. This will effectively stimulate the demand for commercial vehicle replacement. It is estimated that the annual sales volume of commercial vehicles will reach 20,000 units, with an annual growth rate of approximately 9%, demonstrating the market's potential for stable growth in the future.

HEJING will focus on managing commercial vehicle channels to increase the market share of its own brand (HINO). Meanwhile, the business of buying and selling other brand new and used vehicles will continue to develop a diverse range of products and customized sales models. This will help deepen existing channel partnerships and expand new channels, providing dealerships with comprehensive financial services, thereby maintaining its position as the No. 1 in heavy vehicle financing.

D. Overview of the Corporate Financing Market

The Central Bank's credit control policy on real estate, which restricts leasing companies from developing related industries, has affected the business development of the Company. We will actively adjust our strategy to continue to expand diversified customer base, plan product solutions that are tailored to customers, and introduce more advanced risk-control mindset and tools to ensure balanced development in terms of both performance and risk towards the goal of becoming the “benchmark enterprise in the leasing industry”.

E. Overview of the Green Energy Industry

In response to the net-zero target, the original 2025 solar photovoltaic installation goal was set at 20 GW, yet by 2024 the cumulative installations are nearly 14 GW. Similarly, the original 2025 offshore wind power installation goal was 5.6 GW, but by 2024 the cumulative installations are nearly 3 GW. There is still a long way to go before the target can be achieved, indicating considerable room for development. Looking ahead, as the overall trend is gradually moving toward diversified green energy development, HEJUN ENERGY will continue to build photovoltaic and wind power plants, and extend its reach to various energy installations, in order to drive growth through diversified deployment, and integrate the power sales business to increase revenue.

IV. Business Overview

F. Overview of the Equipment Leasing Market in Mainland China

In 2025, the equipment leasing market in Mainland China will continue to expand driven by policy support and economic development. In 2024, the PMI of the manufacturing industry showed an upturn amidst volatility, rising to 50.1% at end of the year, indicating an improvement in the sentiment of the manufacturing sector. Large-scale infrastructure investment programs, especially new infrastructure projects (e.g., 5G networks, data centers, high-speed rail construction, etc.), have further boosted the demand for construction machinery and engineering equipment leasing. With the government's emphasis on green development, the promotion of “carbon peaking and carbon neutrality” targets has significantly increased the demand for new energy equipment leasing, especially in the sectors of photovoltaic and wind energy. Meanwhile, the elimination of old equipment and the policy of upgrading the manufacturing industry have also brought new room for growth to the market. In addition, the rapid development of the digital economy is driving the demand for intelligent equipment. The medical device market is growing at a steady average annual rate of 14%. The market outlook is still promising under the backdrop of policies encouraging the promotion of high-end medical care, nationalization of production, and the expansion of health insurance coverage.

In 2025, we will continue to focus on the development of new energy, high-end construction machinery, intelligent manufacturing equipment, medical equipment and SME leasing services. At the same time, we will continue to strengthen risk control capabilities to cope with the trend of intensifying competition and market consolidation in the industry.

G. Overview of the Commercial Factoring Market in Mainland China

2025 will mark the 13th anniversary of the pilot commercial factoring industry in Mainland China, with the industry further standardized and the asset size continuing to grow rapidly. As the central and local governments continue to encourage financial institutions to increase their support for the real economy, commercial factoring, as an important component of supply chain financing, will see a bright future. Due to the introduction of various policies to stimulate the economy, promote consumption and guide industrial upgrading, the demand of enterprises for timely replenishment of liquidity and expansion of production capacity has increased significantly, which is also conducive to the continued growth of the commercial factoring industry. We adhere to the business principle of “cultivating the industry and serving the entity”, focusing on industries with good prosperity such as auto parts and components, consumer electronics, new materials, logistics and transportation, etc., and prioritize our commitments to well-known listed enterprises on both sides of the buyer and seller, in order to ensure steady business growth, while maintaining excellent quality of assets.

IV. Business Overview

(4) Competitive Advantages

A. Exhaustive Channel Understanding

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

B. Well-built Financial Structure

We have been rated "Long-term twAA-" and "Short-term twA-1+" by Taiwan Ratings for 18 consecutive years from 2007 to 2024, and our long-term credit rating is expected to be "stable". We have also been rated "Long-term BBB" and "Short-term A-2" by the international rating agency, Standard & Poor's, for 5 consecutive years from 2020 to 2024, 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.

IV. Business Overview

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

A. Favorable factors

Aspect	Description
Market	<ul style="list-style-type: none"> • Deepened market share of local brands, continuous increased penetration rate of used car dealers and strong domestic demand for consumer financing • The economy continues to grow steadily, and the demand for corporate funds is flourishing.
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/offline channels) • Equipment suppliers
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 • Professional and 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 and equipment installment business with low prices	<ul style="list-style-type: none"> • Continue to increase competitiveness with product diversification and innovation • Stabilize existing channels and strengthen the depth of channel cooperation • 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
More stringent business regulations	<ul style="list-style-type: none"> • Adjust the relevant regulatory contents and continuously improve the Company's operation process. • Continue to closely monitor relevant laws and policies that may affect the Company's business and operations and take appropriate countermeasures
Rising cost of capital due to the increase in interest rates	<ul style="list-style-type: none"> • Conduct a comprehensive review of interest rates for each product and increase the interest rates for each product to address the rising cost of capital due to the increase in interest rates
The Company's business is concentrated in the areas of car installment 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 • Enhance the development of corporate finance and installment-based financing services, while expediting investments in green energy initiatives.

IV. Business Overview

4.2.2 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 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.

4.2.3 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.

4.2.4 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.

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

Year		2023	2024	As of March 31, 2024
Number of Employees	Sales Personnel	1,768	1,446	1,403
	Clerk	1,126	743	738
	Total	2,894	2,189	2,141
Average Age		36.1	36.7	37.0
Average Length of Service		4.2	4.9	5.1
Highest Level of Education (%)	Ph.D.	0.0%	0.0%	0.0%
	Master's Degree	6.4%	8.1%	8.2%
	Bachelor's Degree	75.8%	79.3%	79.2%
	Senior High School Diploma	16.6%	11.8%	11.9%
	Below Senior High School	1.2%	0.8%	0.7%
Total		100%	100%	100%

4.4 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

4.5 Labor Relations

4.5.1 Relevant systems of the Company and their implementation

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)

(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:

IV. Business Overview

- 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

As a happy enterprise, HFC focuses on the all-round learning and development of its employees. Every year, our training programs are integrated with the HFC's vision and development direction. Through a comprehensive talent development system and diversified development resources, HFC is able to achieve the goals of nurturing, retaining, and co-prosperity of the organization. We hope that employees can enhance their work efficiency, competitiveness and sense of achievement through training, enjoy their work, and move forward together with the company, so that HFC can continue to grow steadily and maintain its No.1 position in the vehicle staging market.

In order to achieve this goal, HFC has adopted the following four major approaches:

A. Comprehensive physical training:

- ① Physical training is based on functions and is planned for each level of management and core functions, and is developed into various training programs such as supervisor book clubs, precious jade camps, cornerstone camps, strength classes, star classes, and top sales motivation.
- ② Professional functions are taught by senior colleagues in each department by way of OJT to pass on the key points in terms of attitude, work, and skills, in order to enhance the work professionalism of employees.

B. Diversified online training:

- ① MBA Academy: divided into the Financial Management Academy, Marketing Academy, and Business Sales Academy to make the online courses more diversified and complete.

IV. Business Overview

- ② General courses: Provide courses in line with the trend of mental and technical skills to enhance the hard and soft skills of employees.
- ③ Legal Courses: In order to fulfill the self-regulatory responsibilities of TWSE/GTSM listed companies, we have arranged training courses on relevant regulations.

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. Sound foreign language learning opportunities:

We encourage every employee to learn English and Japanese to enhance their foreign language skills. HFC has 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

IV. Business Overview

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

- 4.5.2 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.

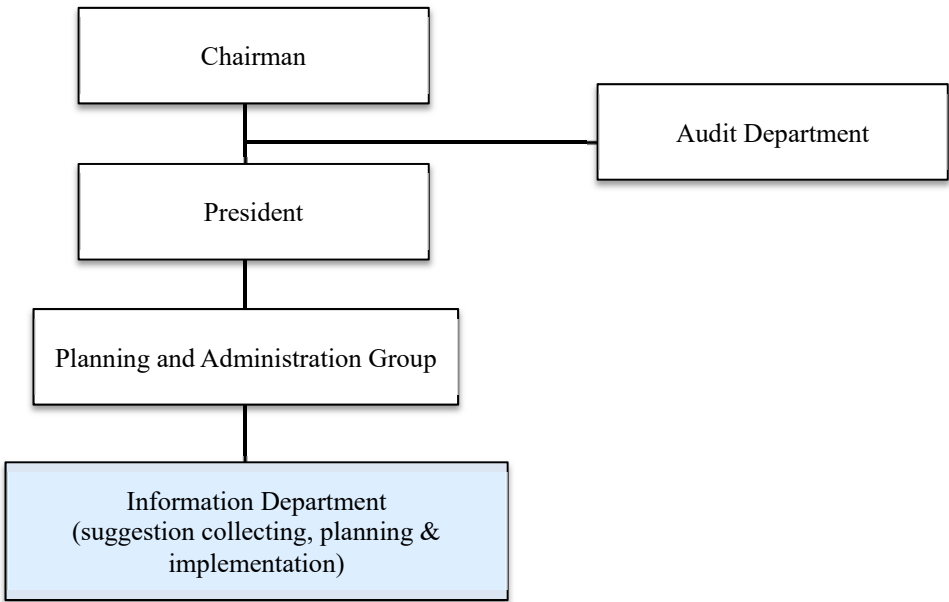
IV. Business Overview

4.6 Cyber Security Management

4.6.1 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

① Cyber Security Management:



② 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) in 2022, which was audited and verified by SGS, and passed the verification for the current year in November 2023 and 2024. Through the introduction of the ISMS system, we enforce the routine information security work and maintain a secure and reliable information environment by regularly checking the information security risks to ensure the stability and security of data, systems, equipment, and networks for the purpose of sustainable business operations.

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(2) 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 2024 IT security course: 2,136 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.

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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 Director of the IT Department of the Company serves as the information security supervisor, and one person is appointed as the information security personnel.

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 2024, 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 2024.

⑥ The implementation of information security measures is as follows:

Method	Item	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

4.6.2 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.

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4.7 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 1st unsecured corporate bond.	N/A
Trust Indenture	Bank SinoPac	2021/4/15~ 2026/4/15	HFC engages Bank SinoPac to be the trustee for the 2021 1st unsecured corporate bond.	N/A
Trust Indenture	Taishin International Bank	2021/7/22~ 2026/7/22	HFC engages Taishin International Bank to be the trustee for the 2021 2nd unsecured corporate bond.	N/A
Trust Indenture	Bank SinoPac	2022/6/6~ 2025/6/6	HFC engages Bank SinoPac to be the trustee for the 2022 2nd secured corporate bond. (Guarantor: Hua Nan Bank, Bank of Taiwan)	N/A
Trust Indenture	Bank SinoPac	2023/3/28~ 2028/3/28	HFC engages Bank SinoPac to be the trustee for the 2023 1st unsecured corporate bond.	N/A
Trust Indenture	Bank SinoPac	2023/10/27~ 2025/10/27	HFC engages Bank SinoPac to be the trustee for the 2023 2nd secured corporate bond. (Guarantor: Mizuho Bank, Ltd.)	N/A
Lease	Hotai Motor Co., Ltd.	2024/1/1~ 2026/12/31	Office lease on the 4F., No. 10, Mingzhong St., Xinzhuang Dist., New Taipei City	N/A
Lease	Hoyu Investment Co., Ltd.	2018/6/20~ 2028/6/19	Office lease on the 3F., No. 433, Songjiang Rd., Zhongshan Dist., Taipei City	N/A
Lease	Kao Du Automobile Co., Ltd.	2024/7/1~ 2028/6/30	Office lease on the 2F., No. 737, Minzu 1st Rd., Zuoying Dist., Kaohsiung City	N/A
Outsourcing Agreement	Financial Institution A	Two years from August 2, 2024 (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 Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation (hereinafter "Regulations for the Outsourcing of Financial Institution Operation").	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	Note 2

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

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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.

V. Review and Analysis of Financial Conditions and Financial Performance and Risk Matters

5.1 Financial Condition

5.1.1 IFRS (Consolidated)

Unit: NT\$ thousands

Item	2023	2024	Change	
			Amount	%
Current Assets	284,254,876	302,835,328	18,580,452	6.54%
Non-current Assets	27,884,836	25,344,062	-2,540,774	-9.11%
Total Assets	312,139,712	328,179,390	16,039,678	5.14%
Current Liabilities	270,124,770	283,713,332	13,588,562	5.03%
Non-current Liabilities	2,020,104	2,799,475	779,371	38.58%
Total Liabilities	272,144,874	286,512,807	14,367,933	5.28%
Share Capital	6,665,004	7,231,505	566,501	8.50%
Capital Surplus	17,011,275	17,139,974	128,699	0.76%
Retained Earnings	12,536,225	13,038,659	502,434	4.01%
Other Equity Interest	-114,895	-53,645	61,250	-53.31%
Non-Controlling Interest	3,897,229	4,310,090	412,861	10.59%
Total Equity	39,994,838	41,666,583	1,671,745	4.18%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes:

1. Change in Non-Current Liabilities by 38.58%: Due to the increase in long-term borrowings to meet capital requirements as a result of the growth in business.
2. Change in Other Equity Interest by -53.31%: Due to the recognition of exchange differences on the translation of subsidiaries' financial statements due to exchange rate fluctuations.

5.1.2 IFRS (Individual)

Unit: NT\$ thousands

Item	2023	2024	Change	
			Amount	%
Current Assets	229,446,754	231,958,397	2,511,643	1.09%
Non-current Assets	20,320,298	23,221,652	2,901,354	14.28%
Total Assets	249,767,052	255,180,049	5,412,997	2.17%
Current Liabilities	213,278,609	217,371,109	4,092,500	1.92%
Non-current Liabilities	390,834	452,447	61,613	15.76%
Total Liabilities	213,669,443	217,823,556	4,154,113	1.94%
Share Capital	6,665,004	7,231,505	566,501	8.50%
Capital Surplus	17,011,275	17,139,974	128,699	0.76%
Retained Earnings	12,536,225	13,038,659	502,434	4.01%
Other Equity Interest	-114,895	-53,645	61,250	-53.31%
Total Equity	36,097,609	37,356,493	1,258,884	3.49%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes:

1. Change in Other Equity Interest by -53.31%: Due to the recognition of exchange differences on the translation of subsidiaries' financial statements due to exchange rate fluctuations.

V. Review and Analysis of Financial Conditions and Financial Performance and Risk Matters

5.2 Financial Performance

5.2.1 IFRS (Consolidated)

Unit: NT\$ thousands

Item	2023	2024	Change	
			Amount	%
Operating Revenue	28,660,435	28,963,830	303,395	1.06%
Operating Costs	11,967,337	12,374,199	406,862	3.40%
Gross Profit	16,693,098	16,589,631	-103,467	-0.62%
Operating Expenses	11,467,164	12,889,467	1,422,303	12.40%
Operating Profit	5,225,934	3,700,164	-1,525,770	-29.20%
Non-Operating Income and Expenses	305,277	713,386	408,109	133.68%
Profit Before Tax	5,531,211	4,413,550	-1,117,661	-20.21%
Income Tax Expense	1,439,055	1,139,224	-299,831	-20.84%
Net Income	4,092,156	3,274,326	-817,830	-19.99%
Other Comprehensive Income (Loss)	-280,445	137,748	418,193	-149.12%
Total Comprehensive Income for the Year	3,811,711	3,412,074	-399,637	-10.48%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes:

1. Change in Operating Profit by -29.20%: Due to the increase in the provision for expected credit impairment loss.
2. Change in Non-Operating Income and Expenses by 133.68%: Due to the increase in the gain on disposal of property.
3. Change in Profit Before Tax by -20.21%: Due to the increase in the provision for expected credit impairment loss.
4. Change in Income Tax Expense by -20.84%: Due to the decrease in profit before tax.
5. Change in Other Comprehensive Income for the Period by -149.12%: 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.

5.2.2 IFRS (Individual)

Unit: NT\$ thousands

Item	2023	2024	Change	
			Amount	%
Operating Revenue	18,578,111	18,970,990	392,879	2.11%
Operating Costs	6,152,700	6,928,758	776,058	12.61%
Gross Profit	12,425,411	12,042,232	-383,179	-3.08%
Operating Expenses	8,155,898	9,115,580	959,682	11.77%
Operating Profit	4,269,513	2,926,652	-1,342,861	-31.45%
Non-Operating Income and Expenses	527,995	1,027,357	499,362	94.58%
Profit Before Tax	4,797,508	3,954,009	-843,499	-17.58%
Income Tax Expense	1,107,696	898,518	-209,178	-18.88%
Net Income	3,689,812	3,055,491	-634,321	-17.19%
Other Comprehensive Income (Loss)	-213,224	61,250	274,474	-128.73%
Total Comprehensive Income for the Year	3,476,588	3,116,741	-359,847	-10.35%

Note: Analysis is not required if the percentage change does not exceed 20%.

Analysis of percentage changes:

1. Change in Operating Profit by -31.45%: Due to the increase in the provision for expected credit impairment loss.
2. Change in Non-Operating Income and Expenses by 94.58%: Due to the increase in the gain on disposal of property.
3. Change in Other Comprehensive Income for the Period by -128.73%: 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.

5.2.3 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.

V. Review and Analysis of Financial Conditions and Financial Performance and Risk Matters

5.3 Cash Flows

5.3.1 Cash Flows and Liquidity Analysis

Unit: NT\$ thousands

Item	2023	2024	Change	
			Amount	%
Cash from Operating Activities	-44,771,103	-12,317,831	32,453,272	-72.49%
Cash from Investing Activities	-5,422,872	-2,656,196	2,766,676	-51.02%
Cash from Financing Activities	50,736,564	16,779,559	-33,957,005	-66.93%
Analysis of percentage changes:				
1. Decrease in Cash Outflows from Operating Activities: Mainly due to the decrease in notes and accounts receivable as a result of the decline in business.				
2. Decrease in cash outflow from investing activities is mainly due to the decrease in the purchase of lease assets and equity for reinvestment.				
3. Decrease in cash inflow from financing activities is mainly due to the decrease in short-term bills, and the absence of issuance of corporate bonds and preferred shares.				

5.3.2 Projection of Cash Flow/Liquidity Analysis and Improvement Plan in the Coming Year

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
4,985,831	-21,612,043	-4,200,000	23,482,292	2,656,080	-	-
1. Analysis of projected cash flows in the Coming Year:						
(1) Outflows from Operating Activities: Due to the increase in accounts receivable as a result of the expected growth in business.						
(2) Outflows from Investing Activities: Due to the increase in office equipment as a result of the expected growth in business.						
(3) Inflows from Financing Activities: Due to the borrowing for funds to support the expansion of business.						
2. Measures for managing potential cash deficit and liquidity analysis: the Group currently does not have any cash deficit issues.						

5.4 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.

5.4.1 Utilization of major capital expenditures and sources of funds:

Item	Time	Source of Funds	Amount
Purchase of office space	2024 November	Self-owned capital	NT\$ 80,000 thousand

5.4.2 Estimated Potential Benefits:

Due to the expansion of the Group's operations, the original leased premises no longer meet the demand. Considering the high rental cost of the leased premises and the uncertainty of future increase, the Group has adopted the method of purchasing office premises to reduce the related expenses and strengthen the value retention of assets.

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5.5 Investment Policy of the Last Fiscal Year, Reasons for Gains or Losses, Improvements, and Investment Plan in the Coming Year

5.5.1 Reinvestment 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.

5.5.2 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 2024	Reasons for Gains (Losses) and Improvement Plan	Future Investment Plan
Hoyun International Limited	General investment	1,324,514	281,681	This is a healthy business that continues to grow at a steady pace and generates profits.	N/A
HEJING Co., Ltd.	Installment sales of various vehicles	2,430,000	102,485	This is a healthy business that continues to grow at a steady pace and generates profits.	N/A
HEJUN Energy Co., Ltd.	Solar energy business	2,240,000	324	This is a healthy business that continues to grow at a steady pace and generates profits.	N/A
Hotai Finance Development Co., Ltd.	Installment sales of various equipment	3,000,000	(35,251)	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 turn from a loss to a profit.	N/A
Hotai Mobility Service Co., Ltd.	Taxi dispatch business	120,000	(6,226)	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 turn from a loss to a profit.	N/A
HFC (Cambodia) Microfinance PLC.	Leasing of car	557,345	6,593	This is a healthy business that continues to grow at a steady pace and generates profits.	N/A

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5.6 Evaluation of Risk Factors

5.6.1 Impact of Interest Rates, Foreign Exchange, and Inflation on the Gains (Losses) of the Company, and Risk Management Measures

(1) Interest Rates:

Unit: NT\$ thousands

Item	2023	2024
Interest expenses (A)	4,522,930	5,830,112
Net operating revenue (B)	28,660,435	28,963,830
Percentage of interest expenses to operating revenue of the Company and its subsidiaries (A/B)	15.78%	20.13%

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	2024
Foreign Exchange Gains (Losses)(A)	(18,236)	36
Net Operating Revenue(B)	28,660,435	28,963,830
Operating Margin(C)	5,225,934	3,700,164
Foreign Exchange Gains (Losses) to Net Operating Revenue Ratio(A/B)	(0.06%)	0.00%
Foreign Exchange Gains (Losses) to Operating Margin Ratio(A/C)	(0.35%)	0.00%

- 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.
- 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

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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 mainly 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.

5.6.2 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 on the financial conditions of HFC and its subsidiaries. All the lending activities in 2024 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.

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(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.

5.6.3 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.

5.6.4 Impact of Domestic and International Policy and Regulatory Changes on the Financial Condition and Operations of the Company as well as Risk Management Measures

In 2022, global inflation led to several interest rate hikes by the U.S. Federal Reserve and corresponding rate hikes by Taiwan's central bank. The Company has conducted a comprehensive review of interest rates for each product and has raised the interest rates for each product to meet the rising cost of capital due to the increase in interest rates. The Company will continue to closely monitor relevant laws and policies that may affect the Company's business and operations and take appropriate countermeasures in the future.

5.6.5 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

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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 November 2024, 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.

5.6.6 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.

5.6.7 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.

5.6.8 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.

5.6.9 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 2024. Therefore, no concentration of sales with a

V. Review and Analysis of Financial Conditions and Financial Performance and Risk Matters

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.

5.6.10 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.

5.6.11 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.

5.6.12 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

5.6.13 Other Material Risks and Risk Management Measures: N/A.

5.7 Other Material Disclosures: N/A.

VI. Letter to Shareholders

6.1 Subsidiaries

Preparation of financial statements of subsidiaries in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” is described as follows:

Please refer to the Market Observation Post System

<https://mops.twse.com.tw/mops/#/web/home>

6.1.1 Consolidated Business Reports of Affiliated Companies: Please refer to the Market Observation Post System

MOPS (Market Observation Post System) > Individual Company > Electronic Document Download > Section for the Three Reports on Affiliated Enterprises

6.1.2 Consolidated Financial Statements of Affiliated Companies: Exempt from Reporting
Please refer to the Market Observation Post System for the 2024 Consolidated Financial Statements

MOPS (Market Observation Post System) > Individual Company > Electronic Document Download > Financial Reports

6.1.3 Consolidated Reports of Affiliated Companies:

MOPS (Market Observation Post System) > Individual Company > Electronic Document Download > Section for the Three Reports on Affiliated Enterprises

6.2 Private placement of securities in the last fiscal year and as of the date of this annual report: None.

6.3 Other Required Disclosures: None.

6.4 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: None.



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