



和泰集團  
與美好台灣同行



和泰集團  
Hotai Group

和泰汽車股份有限公司  
Hotai Motor Co., Ltd.

# Handbook for the 2023 Annual General Meeting of Shareholders

(For the convenience of readers and for information purposes only, this handbook have 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.)



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# **I. Agenda of the Annual General Shareholders' Meeting**

Meeting Time: 9:00 a.m., June 27, 2023 (Tuesday)

Meeting Method: Physical meeting

Meeting Place: Auditorium in the Xinzhuang Industrial Park of the Company, located at No.10,5F Mingzhong St., Xinzhuang Dist., New Taipei City.

1. Chairman's Address

2. Reports:

- (1) 2022 Business Report
- (2) 2022 Audit Committee Report
- (3) 2022 Distribution of Profits with Cash Dividends
- (4) 2022 Non-Distribution of Employees and Directors Remuneration
- (5) Selling Shares of HOTAI CONNECTED CO., LTD.
- (6) Commitment to Long-Term Operation of Hotai Insurance Co., Ltd.

3. Ratifications:

- (1) Ratification of 2022 Business Report and Financial Statements
- (2) Ratification of Proposed Distribution of 2022 Profits

4. Discussion

- (1) Proposal for Issue of New Stock through Capitalization of Profits
- (2) Release of Director's Non-Compete Restrictions

5. Extemporaneous Motions

6. Adjournment

## II. Reports

### Item No.1 — 2022 Business Report

**Explanation:** Please see Appendix 1 for the Company's 2022 Business Report (Pages 9-11).

### Item No.2 — 2022 Audit Committee Report

**Explanation:**

- (1) The Company's 2022 Business Report, Financial Statements, Proposed Profit Distribution and other important financial documents have been reviewed by the Audit Committee. Based on the review, the Audit Committee has issued a report.
- (2) Please see Appendix 2 for the Audit Committee Report (Page 12).

### **Item No.3 — Distribution of 2022 Profits**

#### **Explanation:**

- (1) The distribution shall be declared and made in accordance with Article 240, Paragraph 5 of the *Company Act* and Article 35 of the Company's *Articles of Incorporation*.
- (2) According to Article 35 of the Company's *Articles of Incorporation*, the decision to distribute all or part of the dividends and/or bonuses in cash shall be adopted by a resolution of the majority of the Board of Directors in a meeting attended by over two-thirds of the directors and reported to the shareholders' meeting.
- (3) The Company's 2022 profit was resolved by the 21st term of the Board of Directors at the 8th meeting to approve a dividend of NT\$2 per share, and a total of NT\$1,092,358,368 in cash dividends will be paid to shareholders; the Chairman of the Board will be authorized to decide on the ex-dividend and payment dates for cash dividends distribution and other relevant matters.

### **Item No.4 — 2022 Non-Distribution of Employee and Director's Remuneration**

#### **Explanation:**

- (1) The distribution shall be declared and made in accordance with Article 235-1 of the *Company Act* and Article 34 of the Company's *Articles of Incorporation*.
- (2) According to Article 34 of the Company's *Articles of Incorporation*, To the extent that the Company has generated annual profits, 1% of which shall be set aside for employee remuneration and no more than 2% for directors' remuneration; provided, however, independent directors are not eligible to participate in the profit distribution of the Company. Any accumulated losses of the Company shall first be offset.
- (3) The Company did not make a profit in 2022; therefore, according to Article 34 of the Company's *Articles of Incorporation*, the Company will not distribute any employee and director's remuneration.

## **Item No.5 — Selling Shares of HOTAI CONNECTED CO., LTD.**

### **Explanation:**

- (1) In order to attract strategic investors to participate in the investment of HOTAI CONNECTED CO., LTD., on January 20th, 2022, the Board of Directors approved the sale of the shares of HOTAI CONNECTED CO., LTD. to KUOTU MOTOR CO., LTD., TAIPEI MOTOR CO., LTD., TAU MIAU MOTOR CO., LTD., CENTRAL MOTOR CO., LTD., NAN DU MOTOR CO., LTD., KAU DU AUTOMOBILE CO., LTD., LANG YANG TOYOTA MOTOR CO., LTD., EASTERN MOTOR CO., Ltd., and HOYU INVESTMENT CO., LTD.
- (2) The Company sold 33,900,000 shares of HOTAI CONNECTED CO., LTD. to the above-mentioned strategic investors at NT\$10 per share, and have completed the closing on January 26th, 2022. After consummation of the transactions, the Company's shareholding percentage in HOTAI CONNECTED CO., LTD. was reduced from 100% to 70%, and HOTAI CONNECTED CO., LTD. remains a subsidiary of the Company; the above-mentioned strategic investors hold a total of 30% shareholding of HOTAI CONNECTED CO., LTD.
- (3) The selling price of the shares is based on the opinion report on the reasonableness of the transaction price issued by Accountant Lin Jin-Bo of Boye Accounting Firm. Accordingly, the selling price should be reasonable.

## **Item No.6 — Commitment to Long-Term Operation of Hotai Insurance Co., Ltd.**

### **Explanation:**

- (1) According to Financial Supervisory Commission Order No. Jin-Guan-Bao-Chan-Zi-1110461975 dated November 30, 2022.
- (2) “Commitment to Long-Term Operation of Hotai Insurance Co., Ltd.” was approved by the 21st term of the Board of Directors at the 5th meeting on November 10, 2022. Please see Appendix 5 for the Commitment to Long-Term Operation of Hotai Insurance Co., Ltd. (Page 40).

### III. Ratifications

#### **Item No.1** — Proposed by Board of Directors: Ratification of 2022 Business Report and Financial Statements

##### **Explanation:**

- (1) The Company's 2022 Business Report and Financial Statements have been adopted by the resolution of the 21st term of the Board of Directors at the 8th meeting, audited and certified by PricewaterhouseCoopers Taiwan, and reviewed by the Audit Committee.
- (2) Please refer to Appendix 1 (Pages 9-11) and Appendix 3 (Pages 13-38) for the Company's 2022 Business Report and Financial Statements.

##### **Resolution:**

#### **Item No.2** — Proposed by Board of Directors: Ratification of Proposed Distribution of 2022 Profits

##### **Explanation:**

- (1) The Company's 2022 net loss after tax is NT\$ -19,330,194,453. The net loss after tax for the period plus other items other than net profit after tax for the period is NT\$ -19,228,691,939, then combined with unappropriated earnings at the beginning of the period of NT\$35,393,930,719, the distributable earnings amount to NT\$16,165,238,780. The Company, pursuant to the resolution of the 21st term of the Board of Directors at the 8th meeting, intends to distribute a cash dividend of NT\$ 2 per share and issue stock dividend of NT\$0.2 per share.
- (2) Please refer to Appendix 4 for the Table of 2022 Profit Distribution (Page 39).

##### **Resolution:**



## IV. Discussion

**Item No.1** — Proposed by the Board of Directors: Proposal for Issue of New Stock through Capitalization of Profits

**Explanation:**

- (1) In order to meet the needs of the operation, the Company intends to allocate NT\$ 109,235,840 from the distributable earnings of 2022 to issue 10,923,584 new shares by capital increase, with par value of NT\$ 10 per share, all of which are common shares.
- (2) All the new shares for the capital increase will be issued without physical stock certificates, and the rights and obligations will be the same as other outstanding common shares issued by the Company. After the capital increase, the total number of outstanding common shares will increase from 546,179,184 to 557,102,768.
- (3) For this capital increase, the new shares will be issued on the basis of the number of shares held by shareholders as of the ex-rights and capital increase record date, and approximately 20 shares will be distributed for each thousand shares. For allotment of less than one share, the shareholder may register for consolidation with the Company's stock affairs agent "President Securities Corporation" within five days from the book closure date. Fractional shares that have not been consolidated or are still less than one share after consolidation shall be paid in cash at the par value and rounded to the nearest full Taiwan Dollar (offset by TDCC book-entry transfer fee or dematerialized registration fee) and will be purchased by persons arranged by the Chairman as authorized by the Board.
- (4) Subject to approval of the 2023 Shareholders' Meeting, the Board of Directors is authorized to determine the ex-rights and capital increase record date after the approval of the competent authority.
- (5) In the event that the allotment ratio is changed by issuance of new stock through cash capital increase, a buyback of shares, transfer of treasury shares or any other circumstances resulting in a change in the number of outstanding shares, it is proposed that the Board of Directors be fully authorized to make the necessary adjustments.
- (6) It is proposed that the Board of Directors be fully authorized to deal with any required changes to the new stock issuance plan due to factual needs or requests by the competent authority.

**Resolution:**

**Item No.2** — Proposed by the Board of Directors: Proposal to release the directors from non-compete restrictions.

**Explanation:**

- (1) In the event that a director of the Company engages in any acts specified in Article 209 of the Company Act, it is the Company's intention to release such directors and his or her appointed representatives from non-compete restrictions on holding concurrent positions in businesses similar to those listed in the Company's scope of business (to the extent that such positions are held out of business needs), and provided that doing so will not harm the interests of the Company.
- (2) The Board proposed to submit to the annual general meeting of the shareholders the proposal to release the directors from non-compete restrictions. Details of the Concurrent Positions held by Directors of the Company Subject to the Release Granted can be found in Appendix 6 (Page 41).

**Resolution:**

## **VII. Extemporary Motions**

## **VIII. Adjournment**

### 2022 Business Report

#### 【Taiwan's Automotive Market】

Shaped by factors such as COVID variants, Russia-Ukraine war, peaking inflation, and climate change, the global economy is stuck in a low-growth trap. Countries across the globe implemented policies to raise interest rates to tackle inflation, which in turn slowed global economic activity, impacting our international trade and capital investment. The annual growth rate hit 2.43% last year, down by 4.02 percentage points compared to 6.45% in 2021. While demand for vehicles in Taiwan's automotive market remained strong, stifled by low vehicle production due to the automotive chip shortage, there continued to be a mismatch between supply and demand in the market. In 2022, the total sales in the automotive market were 429,731 units, which reached 95.5% of the volume of 2021.

#### 【Operational Review】

In response to a rapidly changing market, Hotai Motor introduced all-new car models in 2022 with the support of our parent company, Toyota Motor Corporation ("TMC"). The models include TOYOTA TOWN ACE truck and van, electric vehicle bZ4X, and redesigned models, TOYOTA GR 86, CAMRY, COROLLA CROSS, ALTIS, HILUX, COROLLA SPORT, GR SUPRA, SIENTA, RAV4, and LEXUS RX, ES, UX series. We also introduced brand new Class 3.49-ton long wheelbase models with automatic transmission, 300 series hybrid, 700 series with a 12-speed manual transmission, GRANVIA 8-seater luxury models, and an improved COASTER minibus. In 2022, the total number of registered vehicles under the three brands distributed by Hotai Motor was 150 thousand units, putting us at the top among automakers in Taiwan for the 21<sup>st</sup> consecutive year. Among which, TOYOTA had over 124 thousand units of registered vehicles, which accounted for 28.7% of the market share, and continued to be the winner in both domestic and imported vehicles. In addition, COROLLA CROSS, RAV4, ALTIS, and YARIS were also among the top 10 best-selling passenger vehicle models. And while LEXUS RX, NX, UX were the best-selling SUVs among luxury brands in the full-size, mid-size and compact categories, LEXUS ES also became the number one bestseller in the full-size luxury SUV category. TOYOTA and HINO's commercial vehicles remained highly regarded by consumers; HINO's 3.49-ton trucks and above recorded 7,491 units in vehicle sales, which accounted for 32.4% of the market share and continued to rank top in the commercial vehicles market for the second consecutive year. TOYOTA HIACE and GRANVIA series also delivered impressive records with a new high of 1,138 units in vehicle sales. All three brands delivered remarkable outcomes in automotive sales in 2022.

Since Hotai Motor was founded, it has accumulated extensive experience in product planning, marketing and customer service, and has continued to grow steadily and invested in diversified operations. In addition to our core business—vehicle sales and services, we have proactively expanded the value chain to involve other automotive-related businesses, which puts us in a strong position to drive continuous innovation and

growth. Some examples are as follows. Hotai Finance Co., Ltd.'s installment undertaking reached over NT\$100 billion and remained the top-ranked company in the auto financing market last year. Hotai Finance also set up a subsidiary He Jun Energy Co., Ltd., actively pursuing opportunities and establishing their presence in the renewable energy sector to expand its business scope. On top of integrating short-term rentals provided by Hoing Mobility Service Co., Ltd. under the brand, *iRent*, and shared transportation service, *yoxi*, provided by Hotai Mobility Service Co., Ltd., Ho Tai Cyber Connection Co., Ltd. has also been working with long-term leasing market leader, Hotai Leasing Co., Ltd., to build a comprehensive mobility service and an inclusive ecosystem of Mobility-as-a-Service (MaaS) with the goal to launch a service platform that consolidates connected mobility, data, payment, and subscription solutions using group resources. Hotai Coachwork Manufacturing Co., Ltd. and Hotai Auto Body Sales Co., Ltd. target the commercial vehicles market, offering streamlined service to customers from ordering a car to installing truck bed extenders which allows owners to quickly put new vehicles to use in their business operations. Carmax Co., Ltd. ("Carmax"), a professional car accessories provider, was joined by another car accessory company in the network, Toyota Customizing & Development (TCD), to develop internet of vehicles (IoV) solutions and premium car accessories, which generated a record high of over NT\$7.5 billion in revenues in 2022. The collaboration aims to move towards the automation of product research and manufacturing, expand business opportunities in IoV, sales channels, and market reach to achieve a wider range of business domains. Hotai Insurance Co., Ltd. ("Hotai Insurance") has invested significant efforts in offering quality one-stop car insurance service to customers and driving digital transformation. In 2022, Hotai Insurance delivered a remarkable record of over 12 billion in premium income and was honored with the Digital Innovation Award by the *Commercial Times* for its premium service. However, suffered from losses due to COVID insurance claims, Hotai Insurance will approach new lines of business with caution going forward and manage different insurance products with the goal to maximize profits, while reinforcing risk management practices, balancing expenses, improving management effectiveness, developing talent, and forging a positive business culture as the company moves towards robust growth.

The Group began investing in Toyota China since 1997 and it has been well over 20 years now. Hotai Motor's China operation headquarters, Hotong Motor Investment Co., Ltd., has established an operations structure that integrates resources to reduce the Group's operating costs and increases the overall competitive advantage of the Group, which helps expand our business scope in China. In 2022, the total market sales in China achieved 26.864 million units, a 2.1% increase from the year before, and Hotai Motor's recognized revenues from businesses in mainland China reached NT\$810 million and continued to impress with high profits.

Despite strong performances from our core and peripheral businesses last year, the Hotai Motor suffered a major setback in terms of its profitability due to the large amount of COVID insurance claims the company had to settle. As a key subsidiary of Hotai Motor, Hotai Insurance has been consistently growing in its revenues over the last few years. These losses as a result of COVID insurance claims was a one-time event, and both the

amount of claims and loss estimation have been recognized in 2022, having merely a transient effect on Hotai Motor. On the other hand, the development and profitability of both Hotai Group's core and peripheral operations remain robust. Additionally, Hotai Motor maintains sufficient working capital and borrowing capacity and has no liquidity risks. The Group will put forth maximum effort to achieve our development goals this year.

#### 【Revenues and Profitability】

The consolidated total revenue for the year is NT\$246.482 billion; loss before tax is NT\$14.635 billion and loss after tax is NT\$15.746 billion. Among them, loss after tax attributable to the parent, Hotai, is NT\$19.33 billion and loss after tax per share is NT\$35.39.

#### 【Management Guidelines and Corporate Development】

Looking ahead, despite concerns over a downturn in domestic economic growth, global automotive chip shortage is likely to ease, and as countries around the world lift pandemic restrictions and consumer purchasing recovers, the automotive market is projected to achieve around 450,000 units in 2023. As we continue to pursue transformation and innovation, we also follow TMC's policies closely and proactively respond to government regulations and timelines to accelerate strategic transition and introduce electric products, providing products and services above and beyond customers' expectations. We are also enhancing the Group's value chain as we gear up to achieve top sales records in the passenger vehicles segment for the 22<sup>nd</sup> consecutive year and in the commercial vehicles segment.

While pursuing sales growth, we also actively support TMC's environmental sustainability policies, integrating resources from our core business and developing a variety of corporate sustainability events in the aspects of environment, social and governance (ESG) that are centered around "People, Cars and the Environment". Under the public interest campaign "Standing by Our Beautiful Island", we work towards aligning our community engagements to local needs as we strive to become the benchmark of CSR practices in the automotive industry.

Faced with a fast-changing auto industry, our top priority has always been the needs of our customers. Through our vision—Think Amazing, Do Amazing (Things), as well as continuous partnership with TMC and our affiliates to create group synergy, we are well-positioned to deliver consumers with premium mobility products and services. By remaining vigilant against potential risks while effectively implementing risk management practices and fulfilling corporate social responsibility commitments, we are confident that we can rise from the setbacks of losses from COVID insurance claims, transcend circumstances and reposition ourselves to deliver high profits once again.

Huang, Nan-Kuang  
*Chairman of the Board*

Su, Chwen-Shing  
*Executive Officer*

Chen, Ting-Ju  
*Chief Accounting Officer*

Hotai Motor Co., Ltd.  
Audit Committee Report

To: The 2023 Annual General Shareholders' Meeting of Hotai Motor Company Limited (the "Company")

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2022 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for allocation of profit. The 2022 Financial Statements (including the Consolidated Financial Statements) were audited by CPAs Xu, Sheng-Zhong and Wang, Fang-Yu from PricewaterhouseCoopers Taiwan, who then issued an audit report based on their review.

We have reviewed the Company's 2022 Financial Statements (including Consolidated Financial Statements), Business Report, and proposal for allocation of profit and found the contents to be consistent with the information shared with us. We hereby issue this report pursuant to Article 219 of the Company Act of the Republic of China.

The Audit Committee

Independent Director: \_\_\_\_\_  
*Li, Chao-Sen*

Independent Director: \_\_\_\_\_  
*Wu, Shih-Hao*

Independent Director: \_\_\_\_\_  
*Su, Chin-Huo*

### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of  
Ho Tai Motor Co., Ltd.

#### **Opinion**

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

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

#### **Basis for opinion**

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

#### **Key audit matters**

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

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

**Evaluation of provision for impairment of accounts receivable in Hotai Finance Co., Ltd., the subsidiary**

**Description**

Refer to Note 4(11) for accounting policies on allowance for uncollectible accounts receivable, Note 5(2)C for the critical accounting estimates and assumptions on the policies of allowance for uncollectible accounts receivable and Note 6(5) for the details of accounts receivable.

Hotai Finance Co., Ltd. ("Hotai Finance"), a subsidiary of Ho Tai Motor Co., Ltd., is primarily engaged in the installment sales and leases of vehicles. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collections of accounts receivable and manages overdue accounts.

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

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

**How our audit addressed the matter**

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report.
2. For those accounts past due over 30 days, Hotai Finance will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and based on Hotai Finance's policy. In order to evaluate the reasonableness of the provision for impairment policy, we understood and assessed the occurrence percentage of actual impairment losses



compared to the overdue accounts receivable over the past years, and other forward-looking information. In addition, we sampled and examined the expected credit losses report, and checked system information to ensure the consistency.

3. Sampled and examined the supporting documents of individual evaluation made by the management to evaluate the reasonableness of the expected credit loss recognized.

## **Valuation of the provisions for warranty**

### **Description**

Refer to Note 4(31) for accounting policies on warranty liabilities provision, Note 5(2)B for the critical accounting estimates and assumptions on the policies of warranty liabilities provision and Note 6(24) for the details of accounting policies applied on warranty liabilities provision.

In order to enhance customer's confidence on product quality, Ho Tai Motor Co., Ltd. provides a warranty for cars. Since the provisions for warranty involves massive historical data as well as complex calculations in respect of maintenance and repair experience, it is identified as a key audit matter.

### **How our audit addressed the matter**

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

1. In terms of the agent brands, obtained the car sold information that met the warranty items offered by Ho Tai Motor Co., Ltd., such as cars' maintenance details as well as registration forms. Sampled and tested each car's warranty cost on maintenance records.
2. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme mentioned above. Evaluated the reasonableness of provision for warranty by considering the average warranty cost claimed from each agent brand.

## **Claims reserve and ceded claims reserve of the subsidiary, Hotai Insurance Co., Ltd.**

### **Description**

Refer to Note 4(38) for accounting policies on claims reserve (including ceded), Note 5(2)D for the critical accounting estimates and assumptions on the policies of claims reserve (including ceded) and Note 6(9) for the details of accounting policies applied on claims reserve and ceded claims reserve.

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd. (“Hotai Insurance”), the subsidiary of Ho Tai Motor Co., Ltd., is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department’s historical claims development trend and experience.

Since the calculation method and assumptions selection of claims reserve (including those ceded) involve subjective judgement and relatively high degree of uncertainty, and the estimation results have a material impact on the financial statements, we have thus included claims reserve and ceded claims reserve as a key audit matter in our audit.

### **How our audit addressed the matter**

The procedures that we have conducted in response to specific aspects of the key audit matter mentioned above are summarized as follows:

1. Understood and assessed Hotai Insurance’s policies, internal control, and operational procedures related to claims reserve (including those ceded). Sampled and inspected the effectiveness of controls related to claims reserve calculation.
2. Sampled and examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:
  - (1) Examined the reasonableness of the assessment method for the reserves;
  - (2) Examined the reasonableness of the assumptions used by Hotai Insurance;
  - (3) Recalculated each assumption adopted by Hotai Insurance for incurred but not reported claims reserve in order to confirm the accuracy of the allowances and the reasonableness of the epidemic prevention insurance products for the reserves.
4. Examined those significant incurred but not paid cases on a sample basis and assessed the reasonableness of the estimated claim amount.

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

We did not audit the financial statements of certain subsidiary and investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, in so far

as it relates to the amounts included in respect of these investees, is based solely on the reports of the other auditors. The assets of these companies amounted to NT\$6,939,623 thousand and NT\$6,351,398 thousand, constituting 1.71% and 1.82% of the consolidated total assets as at December 31, 2022 and 2021, respectively, the revenue of this subsidiary amounted to NT\$3,667 thousand and NT\$ 0, constituting 0.001% and 0.00% of the consolidated total revenue for the years then ended, respectively and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$532,310 thousand and NT\$442,368 thousand, constituting (3.05%) and 2.12% of the consolidated total comprehensive income for the years then ended, respectively.

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

We have audited and expressed an unqualified opinion with an *Other matter* section on the parent company only financial statements of the Group as at and for the years ended December 31, 2022 and 2021.

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Wang, Fang-Yu

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Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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

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

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current Assets								
1100	Cash and cash equivalents	6(1)	\$	15,629,561	4	\$	25,813,580	7
1120	Financial assets at fair value through profit or loss-current	6(2)		4,590,529	1		7,759,202	2
1125	Financial assets at fair value through other comprehensive income-current	6(3)		216,321	-		322,124	-
1150	Derivative financial assets for hedging	6(4)		504,827	-		-	-
1190	Other financial assets-current	6(1) and 8		3,229,892	1		2,794,794	1
1195	Contract assets-current	6(29)		57,021	-		29,094	-
1201	Notes receivable	6(5), 7 and 8		11,928,468	3		10,731,037	3
1202	Accounts receivable	6(5), 7 and 8		226,000,165	56		179,803,972	52
1203	Other receivables	7		1,831,274	-		1,492,994	1
1270	Inventories	6(7)		13,280,667	3		10,014,885	3
1280	Prepayments	6(8)		8,911,626	2		8,431,594	2
1290	Assets held for sale			283,710	-		-	-
1310	Reinsurance contract assets, net	6(9)		2,964,445	1		2,396,571	1
Total current assets				289,428,506	71		249,589,847	72
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)		1,011,039	-		1,035,718	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)		8,411,794	2		10,592,876	3
1470	Investments accounted for using the equity method	6(10)		18,759,486	5		17,336,071	5
1480	Other financial assets-non-current	6(1)		196,388	-		143,910	-
1500	Property, plant and equipment, net	6(11)		60,555,510	15		53,619,235	15
1595	Right-of-use assets, net	6(12)		3,629,696	1		3,436,960	1
1600	Investment property, net	6(14)		2,900,924	1		2,531,683	1
1700	Intangible assets, net	6(15)		184,656	-		1,297,739	-
1800	Deferred income tax assets, net	6(34)		4,099,616	1		1,975,833	1
1900	Other assets	6(5)(9)(17)		17,383,522	4		8,052,912	2
Total non-current assets				117,132,631	29		100,022,937	28
1XXX	Total Assets		\$	406,561,137	100	\$	349,612,784	100

(Continued)

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2110	Short-term loans	6(18)	\$ 105,333,597	26	\$ 66,766,240	19
2120	Short-term notes and bills payable	6(19)	114,640,213	28	104,861,342	30
2140	Financial liabilities at fair value through profit or loss-current	6(2)	162,608	-	27,780	-
2150	Derivative financial liabilities for hedging	6(4)	586,935	-	578,276	-
2165	Contract liabilities-current	6(29)	1,518,147	-	1,371,251	-
2201	Notes payable		870,114	-	783,316	-
2202	Accounts payable	7	11,384,815	3	8,794,001	3
2203	Accrued expenses	6(22) and 7	6,623,281	2	6,957,640	2
2204	Other payables	7	1,665,754	1	1,407,173	1
2250	Commissions payable	7	493,435	-	545,799	-
2260	Due to reinsurance and ceding companies		814,508	-	586,589	-
2270	Claims payable		313,586	-	41,741	-
2310	Current income tax liabilities		1,446,987	-	3,671,592	1
2320	Advance receipts		237,772	-	252,312	-
2330	Long-term liabilities-current portion	6(20)(21)	24,305,569	6	13,579,045	4
2335	Current lease liabilities	7	573,266	-	422,689	-
2350	Other current liabilities	6(9)(24)(25)	30,610,509	8	17,732,741	5
Total current liabilities			301,581,096	74	228,379,527	65
Non-current liabilities						
2550	Long-term loans	6(21)	12,399,285	3	4,736,583	1
2600	Provisions	6(9)(24)	8,716,614	2	8,221,857	2
2620	Guarantee deposits received	6(25)	8,254,408	2	8,284,297	3
2625	Non-current lease liabilities	7	1,807,561	1	1,702,444	1
2630	Deferred income tax liabilities	6(34)	4,230,074	1	3,822,039	1
2660	Other liabilities		36	-	72	-
Total non-current liabilities			35,407,978	9	26,767,292	8
2XXX	Total Liabilities		336,989,074	83	255,146,819	73
Equity attributable to shareholders of the parent						
Share capital			6(26)			
3110	Common stock		5,461,792	1	5,461,792	1
Capital surplus			6(27)			
3200	Capital surplus		2,898,044	1	2,807,477	1
Retained earnings			6(28)			
3310	Legal reserve		15,553,282	4	13,925,963	4
3320	Special reserve		381,843	-	381,843	-
3330	Unappropriated earnings		16,165,239	4	47,944,833	14
Other equity						
3400	Other equity		1,304,787	-	3,248,943	1
31XX	Total equity attributable to shareholders of the parent		41,764,987	10	73,770,851	21
32XX	Non-controlling interest		27,807,076	7	20,695,114	6
3XXX	Total equity		69,572,063	17	94,465,965	27
Significant contingent liabilities and unrecognized contract commitments			9			
Significant events after balance sheet date			11			
Total liabilities and equity			\$ 406,561,137	100	\$ 349,612,784	100

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

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
<b>Revenues</b>					
4010 Interest income	6(3)(30)	\$ 16,457,155	7	\$ 12,392,244	5
4020 Premiums revenue	6(31)	9,335,184	4	8,540,632	4
4040 Reinsurance commission revenue		580,925	-	516,439	-
4050 Fee income		11,030	-	11,361	-
4060 Share of profit of associates and joint ventures accounted for using the equity method	6(10)	2,243,159	1	2,007,473	1
4090 Gain on financial assets and liabilities at fair value through profit or loss	6(2)	-	-	1,044,814	-
4105 Realized gains (losses) on financial assets at fair value through other comprehensive income		343,831	-	368,838	-
4160 Net sales revenue	6(29) and 7				
4161 Sales revenue		200,625,647	81	208,609,408	85
4162 Sales returns	(	1,366,450)	- (	1,023,885)	-
4163 Sales discounts and allowances	(	4,158,084)	( 2) (	4,319,525)	( 2)
4170 Rental revenue		17,332,880	7	15,130,969	6
4180 Service revenue	6(29) and 7	2,266,603	1	1,986,692	1
4210 Gains on disposals of property, plant and equipment		8,390	-	20,069	-
4220 Gains on disposals of assets held for sale		14,704	-	-	-
4230 Income from investment property	6(14)	177,681	-	165,574	-
4260 Foreign exchange gains		439,526	-	586,123	-
4270 Other income		1,441,007	1	1,118,226	-
4245 Gains (losses) on using overlay approach of investment	6(2)	706,971	- (	216,514)	-
4280 Unrealized profit from sales	(	44,701)	- (	66,381)	-
4290 Realized profit from sales		66,381	-	44,478	-
Total revenues		<u>246,481,839</u>	<u>100</u>	<u>246,917,035</u>	<u>100</u>
<b>Expenses</b>					
5010 Interest expense	(	3,195,346)	( 1) (	1,930,041)	( 1)
5030 Underwriting expenses	(	1,247)	- (	610)	-
5040 Commission expenses	7	5,723,918)	( 2) (	5,023,853)	( 2)
5050 Claims payment	(	34,267,410)	( 14) (	3,909,800)	( 2)
5070 Net changes in other insurance liabilities	6(9)	10,866,379)	( 4) (	900,398)	-
5110 Loss on financial assets and liabilities at fair value through profit or loss	6(2)	1,270,855)	( 1)	-	-
5190 Cost of sales	6(7) and 7	170,525,663)	( 69) (	178,774,358)	( 72)
5200 Cost of rental revenue	(	13,899,128)	( 6) (	12,460,045)	( 5)
5210 Cost of services	(	2,171,892)	( 1) (	1,542,654)	( 1)
5230 Operating expenses	6(32)(33) and 7				
5231 Selling expenses	(	10,043,679)	( 4) (	9,151,095)	( 4)
5232 General and administrative expenses	(	5,962,755)	( 2) (	6,865,883)	( 3)
5233 Research and development expenses	(	122,665)	- (	110,888)	-
5286 Expected credit impairment loss of investment	(	205)	- (	11)	-
5287 Expected credit impairment loss of non-investment	12(2)	1,858,003)	( 1) (	1,138,349)	-
5270 Expenses and losses from investment property	6(14)	37,803)	- (	34,485)	-
5280 Impairment losses	6(16)	1,092,475)	( 1)	-	-
5320 Other expenses	(	77,299)	- (	103,906)	-
Total expenses		<u>261,116,722)</u>	<u>( 106)</u>	<u>221,946,376)</u>	<u>( 90)</u>
6100 <b>(Loss) Income before income tax from continuing operations</b>		( 14,634,883)	( 6)	24,970,659	10
6200 Income tax expense	6(34)	1,111,075)	- (	5,412,569)	( 2)
6500 <b>(Loss) Profit for the year</b>		<u>(\$ 15,745,958)</u>	<u>( 6)</u>	<u>\$ 19,558,090</u>	<u>8</u>

(Continued)



HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (loss) for the period</b>					
<b>Components of other comprehensive income (loss) that may not be reclassified to profit or loss</b>					
6617 (Loss) gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 1,481,541)	( 1)	\$ 1,210,657	-
6625 Share of other comprehensive income of associates and joint ventures accounted for using equity method-components of other comprehensive income		79,718	-	72,921	-
6610 Total components of other comprehensive (loss) income that may not be reclassified to profit or loss		( 1,401,823)	( 1)	1,283,578	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
6651 Financial statement translation differences of foreign operations		228,809	-	( 79,964)	-
6659 Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	( 75,086)	-	( 31,406)	-
6661 Gain (loss) on hedging instrument	6(4)	266,365	-	( 89,303)	-
6675 Other comprehensive (loss) income reclassified by using overlay approach	6(2)	( 706,971)	-	216,514	-
6665 Share of other comprehensive income of associates and joint ventures accounted for using the equity method-components of other comprehensive income		44,954	-	12,780	-
6689 Income tax related to components of other comprehensive income	6(34)	( 42,947)	-	21,839	-
6600 Total components of other comprehensive income that will be reclassified to profit or loss		( 284,876)	-	50,460	-
<b>Other comprehensive (loss) income for the year</b>		(\$ 1,686,699)	( 1)	\$ 1,334,038	-
<b>Total comprehensive (loss) income for the year</b>		(\$ 17,432,657)	( 7)	\$ 20,892,128	8
Profit (loss) attributable to:					
6810 Owners of parent		(\$ 19,330,194)	( 8)	\$ 16,210,758	7
6820 Non-controlling interests		3,584,236	2	3,347,332	1
		(\$ 15,745,958)	( 6)	\$ 19,558,090	8
Comprehensive income (loss) attributable to:					
6910 Owners of parent		(\$ 21,172,847)	( 9)	\$ 17,589,052	7
6920 Non-controlling interests		3,740,190	2	3,303,076	1
		(\$ 17,432,657)	( 7)	\$ 20,892,128	8
Basic (loss) earnings per share	6(35)	(\$ 35.39)		\$ 29.68	
Diluted (loss) earnings per share	6(35)	(\$ 35.39)		\$ 29.66	

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

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent									Non-controlling interests	Total equity
		Retained Earnings		Other equity interest								
		Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other comprehensive income/(loss) reclassified by using overlay approach	Gain (loss) on hedging instruments	Total		
For the year ended December 31, 2021												
Balance at January 1, 2021	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	\$ 496,286	\$ 2,069,100	\$ 349,885	\$ 10,377	\$ 65,477,704	\$ 18,407,638	\$ 83,885,342
Profit for the year	-	-	-	-	16,210,758	-	-	-	-	16,210,758	3,347,332	19,558,090
Other comprehensive(loss) income for the year	-	-	-	-	62,427	( 59,837 )	1,196,005	213,896	( 34,197 )	1,378,294	( 44,256 )	1,334,038
Total comprehensive income	-	-	-	-	16,273,185	( 59,837 )	1,196,005	213,896	( 34,197 )	17,589,052	3,303,076	20,892,128
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	1,381,630	-	( 1,381,630 )	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 9,285,046 )	-	-	-	-	( 9,285,046 )	( 1,650,738 )	( 10,935,784 )
Changes in equity of associates and joint ventures accounted for using equity method	-	( 721 )	-	-	-	-	-	-	-	-	-	( 721 )
Changes in ownership interests in subsidiaries	-	7,116	-	-	-	-	-	-	-	7,116	( 7,116 )	-
Reorganisation	-	( 17,254 )	-	-	-	-	-	-	-	( 17,254 )	17,254	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	625,000	625,000
Balance at December 31, 2021	\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	\$ 556,123	\$ 3,265,105	\$ 563,781	\$ 23,820	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965
For the year ended December 31, 2022												
Balance at January 1, 2022	\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	\$ 556,123	\$ 3,265,105	\$ 563,781	\$ 23,820	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965
Profit(loss) for the year	-	-	-	-	( 19,330,194 )	-	-	-	-	( 19,330,194 )	3,584,236	( 15,745,958 )
Other comprehensive(loss) income for the year	-	-	-	-	101,503	232,571	( 1,565,761 )	( 703,869 )	92,903	( 1,842,653 )	155,954	( 1,686,609 )
Total comprehensive income	-	-	-	-	( 19,228,691 )	232,571	( 1,565,761 )	( 703,869 )	92,903	( 21,172,847 )	3,740,190	( 17,432,657 )
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	1,627,319	-	( 1,627,319 )	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 10,923,584 )	-	-	-	-	( 10,923,584 )	( 1,992,722 )	( 12,916,306 )
Difference between proceeds on disposal of equity interest in subsidiary and its carrying amount	-	119,102	-	-	-	-	-	-	-	119,102	( 120,102 )	( 1,000 )
Changes in ownership interests in subsidiaries	-	( 27,638 )	-	-	-	-	-	-	-	( 27,638 )	37,656	10,018
Reorganization	-	( 897 )	-	-	-	-	-	-	-	-	897	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,446,043	5,446,043
Balance at December 31, 2022	\$ 5,461,792	\$ 2,898,044	\$ 15,553,282	\$ 381,843	\$ 16,165,239	\$ 323,552	\$ 1,699,344	\$ 140,088	\$ 69,083	\$ 41,764,987	\$ 27,807,076	\$ 69,572,063

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Notes	Year ended December 31	
		2022	2021
<u>Cash flows from operating activities</u>			
Consolidated (loss) profit before income tax		( \$ 14,634,883 )	\$ 24,970,659
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(11)(12)(14)(32)	11,906,847	10,628,663
Amortization	6(32)	125,903	124,275
Excepted credit loss and financial guarantee expense		23,556	45,410
Expected credit impairment loss (gain on reversal) of investment		205	11
Expected credit impairment loss of non-investment		1,858,003	1,138,349
Profit or loss reclassified by applying overlay approach		( 706,971 )	216,514
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	6(2)	1,270,855	( 1,044,814 )
Interest income	6(30)	( 16,457,155 )	( 12,392,244 )
Dividend income		( 366,156 )	( 369,313 )
Interest expense		3,195,346	1,930,041
Compensation cost of share-based payments		10,150	-
Share of profit of associates accounted for using the equity method	6(10)	( 2,243,159 )	( 2,007,473 )
Net gain on disposal of property, plant and equipment		( 8,390 )	( 20,069 )
Net gain on disposal of assets held for sale		( 14,704 )	-
Impairment loss	6(16)	1,092,475	-
Impairment loss (reversal gain) of rental assets	6(11)	( 4,236 )	10,521
Unrealized profit from sales		44,701	66,381
Realized profit from sales		( 66,381 )	( 44,478 )
Exchange gain (loss)		( 73,044 )	( 37,796 )
Profit from lease modification	6(12)	( 2,342 )	( 2,133 )
Changes in operating assets and liabilities relating to operating activities			
Net changes in operating assets relating to operating activities			
Financial assets at fair value through profit or loss		1,922,497	( 885,265 )
Contract assets		( 27,927 )	( 5,433 )
Notes and accounts receivable		( 49,275,183 )	( 41,088,846 )
Other receivables		( 310,698 )	( 20,163 )
Inventories		2,364,051	7,028,067
Prepayments		( 433,944 )	( 142,430 )
Reinsurance contract assets		( 1,040,338 )	( 970,115 )
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		134,828	( 34,391 )
Contract liabilities		146,896	( 71,722 )
Notes and accounts payable		2,677,612	1,831,052
Accrued expenses		( 544,183 )	801,070
Other payables		258,581	184,973
Commission payable		( 52,364 )	110,434
Due to reinsurance and ceding companies		227,919	90,907
Claims payable		271,845	22,198
Advance receipts		( 14,540 )	8,902
Other current liabilities		11,401,892	1,693,350
Provisions		494,757	1,370,752
Other liabilities		( 36 )	( 36 )
Cash outflow generated from operations		( 46,847,715 )	( 10,526,296 )
Interest received		16,429,573	12,418,354
Cash dividends received		1,350,741	1,414,582
Interest paid		( 3,031,610 )	( 1,937,333 )
Income tax paid		( 5,094,375 )	( 3,869,239 )
Net cash flows used in operating activities		( 37,193,386 )	( 2,499,932 )

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

		Year ended December 31				
		Notes		2022		2021
<u>Cash flows from investing activities</u>						
Increase in financial assets at fair value through other comprehensive income			\$	-	(\$	16,232 )
Decrease in financial assets at fair value through other comprehensive income				730,053		-
Acquisition of investments accounted for using the equity method		6(10)	(	31,850 )		-
Acquisition of property, plant and equipment		6(11)	(	24,764,385 )	(	20,975,415 )
Proceeds from disposal of property, plant and equipment				299,900		455,604
Acquisition of investment properties		6(14)	(	299 )	(	227,805 )
Acquisition of intangible assets		6(15)	(	53,172 )	(	174,791 )
Increase in other financial assets			(	487,576 )	(	339,769 )
Increase in other assets			(	8,970,519 )	(	2,035,778 )
Proceeds from the capital reduction of investments accounted for using the equity method				13,229		-
Disposal of assets held for sale				30,147		-
Acquisition of subsidiaries			(	13,228 )		-
Net cash flows used in investing activities			(	33,247,700 )	(	23,314,186 )
<u>Cash flows from financing activities</u>						
Proceeds from issuance of bonds		6(20)		10,000,000		5,200,000
Repayment of bonds		6(37)	-	(		2,400,000 )
Increase in short-term loans		6(37)		38,382,291		18,643,001
Increase in short-term notes and bills payable		6(37)		9,778,871		20,839,467
Proceeds from long-term loans		6(37)		9,964,568		3,134,051
Repayments of long-term loans		6(37)	(	1,590,000 )	(	3,001,727 )
Increase in guarantee deposits received		6(37)		1,445,987		1,667,452
Cash dividends paid		6(28)	(	10,923,584 )	(	9,285,046 )
Repayment of principal portion of lease liability		6(37)	(	478,387 )	(	627,468 )
Cash dividends paid from subsidiaries to non-controlling interests			(	1,992,722 )	(	1,650,738 )
Preference share issued by subsidiaries				5,000,000		-
Proceeds from disposal of ownership interests in subsidiaries (without losing control)		4(3)		332,350		-
Change in non-controlling interests				112,695		625,000
Net cash flows from financing activities				60,032,069		33,143,992
Net effect of changes in foreign currency exchange rates				224,998	(	42,285 )
Net (decrease) increase in cash and cash equivalents			(	10,184,019 )		7,287,589
Cash and cash equivalents at beginning of year				25,813,580		18,525,991
Cash and cash equivalents at end of year			\$	15,629,561	\$	25,813,580

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

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

PWCR22004356

To the Board of Directors and Shareholders  
Ho Tai Motor Co., Ltd.

***Opinion***

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

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

***Basis for opinion***

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

## ***Key audit matters***

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

The key audit matters of the parent company only financial reports are stated as follows:

### **Evaluation of provision for impairment of accounts receivable of Hotai Finance Co., Ltd., an investment accounted for using equity method**

#### **Description**

Hotai Finance Co., Ltd. (“Hotai Finance”) is an investment by Ho Tai Motor Co., Ltd. accounted for using equity method. Its primary business is providing installment sales and leasing of vehicles. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collections of accounts receivable and manages overdue accounts.

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

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

#### **How our audit addressed the matter**

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report.

2. For those accounts past due over 30 days, Hotai Finance will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and based on Hotai Finance's policy. In order to evaluate the reasonableness of the provision for impairment policy, we understood and assessed the occurrence percentage of actual impairment losses compared to the overdue accounts receivable over the past years, and other forward-looking information. In addition, we sampled and examined the expected credit losses report, and checked system information to ensure the consistency.
3. Sampled and examined the supporting documents of individual evaluation made by the management to evaluate the reasonableness of the expected credit loss recognized.

### **Valuation of the provisions for warranty**

#### Description

Please refer to Note 4(23) of the parent company only financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimates and assumptions of provisions for warranty, and Note 6(16) for details of the provisions for warranty.

In order to enhance customer's confidence on product quality, Ho Tai Motor Co., Ltd. provides a warranty for cars. Since the provisions for warranty involves massive historical data as well as complex calculations in respect of maintenance and repair experience, it is identified as a key audit matter.

#### How our audit addressed the matter

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

1. In terms of the agent brands, obtained the car sold information that met the warranty items offered by Ho Tai Motor Co., Ltd., such as cars' maintenance details as well as registration forms. Sampled and tested each car's warranty cost on maintenance records.
2. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme mentioned above. Evaluated the reasonableness of provision for warranty by considering the average warranty cost claimed from each agent brand.

## **Claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd., an investment accounted for using equity method**

### **Description**

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd. (“Hotai Insurance”), an investment by Ho Tai Motor Co., Ltd. accounted for using equity method, is the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department’s historical claims development trend and experience.

Since the calculation method and assumptions selection of claims reserve (including those ceded claims) involve subjective judgement and relatively high degree of uncertainty, and the estimation results have a material impact on the financial statements, we have thus included claims reserve and ceded claims reserve as a key audit matter in our audit.

### **How our audit addressed the matter**

The procedures that we have conducted in response to specific aspects of the key audit matter mentioned above are summarized as follows:

1. Understood and assessed Hotai Insurance’s policies, internal control, and operational procedures related to claims reserve (including those ceded). Sampled and inspected the effectiveness of controls related to claims reserve calculation.
2. Sampled and examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:
  - (1) Examined the reasonableness of the assessment method for the reserves;
  - (2) Examined the reasonableness of the assumptions used by Hotai Insurance;
  - (3) Recalculated each assumption adopted by Hotai Insurance for incurred but not reported claims reserve in order to confirm the accuracy of the allowances and the reasonableness of the epidemic prevention insurance products for the reserves.
4. Examined those significant incurred but not paid cases on a sample basis and assessed the reasonableness of the estimated claims amount.



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

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these investees, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$ 6,686,519 thousand and NT\$ 6,351,398 thousand, constituting 7.99% and 6.72% of the total assets as at December 31, 2022 and 2021, respectively, and the comprehensive income amounted to 531,866 thousand and NT\$ 442,368 thousand, constituting (2.51)% and 2.52% of the total comprehensive income for the years then ended, respectively.

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

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

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

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

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

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

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

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

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

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

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

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Fang-Yu, Wang

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Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 14, 2023

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

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

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 4,354,075	5	\$ 9,128,578	10
1110	Financial assets at fair value through profit or loss – current	6(2)	537,173	1	406,717	-
1150	Notes receivable, net	6(4)	3,362	-	2,673	-
1170	Accounts receivable, net	6(4)	25,103	-	168,358	-
1180	Accounts receivable – related parties, net	6(4) and 7	2,849,190	3	1,852,563	2
1200	Other receivables	7	662,186	1	756,354	1
130X	Inventories, net	6(5)	4,454,796	5	4,390,888	5
1410	Prepayments		431,250	1	302,997	-
11XX	Total current assets		13,317,135	16	17,009,128	18
Non-current assets						
1510	Financial assets at fair value through profit or loss-non-current	6(2)	500,000	1	500,000	-
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	7,845,447	9	9,258,889	10
1550	Investments accounted for using equity method	6(6)	54,894,149	66	60,638,879	64
1600	Property, plant and equipment	6(7)	3,455,224	4	3,442,868	4
1755	Right-of-use assets, net	6(8)	7,247	-	13,045	-
1760	Investment property, net	6(10)	2,533,485	3	2,598,600	3
1780	Intangible assets		23,800	-	23,800	-
1840	Deferred income tax assets	6(26)	633,703	1	613,892	1
1900	Other non-current assets		483,001	-	466,723	-
15XX	Total non-current assets		70,376,056	84	77,556,696	82
1XXX	Total Assets		\$ 83,693,191	100	\$ 94,565,824	100

(Continued)

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term loans	6(11)	\$ 14,021,254	17	\$ 3,144,963	3
2120	Financial liabilities at fair value through profit or loss-current	6(2)	161,205	-	27,722	-
2150	Notes payable		7,682	-	7,459	-
2170	Accounts payable	6(12)	3,244,078	4	2,356,306	3
2180	Accounts payable – related parties	6(12) and 7	5,490,599	6	4,761,908	5
2200	Other payables	6(14) and 7	2,349,530	3	2,837,624	3
2230	Current income tax liabilities		96,262	-	2,298,457	2
2250	Provisions-current	6(16)	663,209	1	758,278	1
2280	Current lease liabilities		5,846	-	5,782	-
2300	Other current liabilities		72,379	-	75,798	-
21XX	Total current liabilities		26,112,044	31	16,274,297	17
Non-current liabilities						
2540	Long-term loans	6(13)	8,000,000	10	-	-
2550	Provisions-non-current	6(16)	2,834,078	3	2,763,806	3
2570	Deferred income tax liabilities	6(26)	1,776,894	2	1,748,735	2
2580	Non-current lease liabilities		1,471	-	7,317	-
2600	Other non-current liabilities	6(6)	3,203,717	4	818	-
25XX	Total non-current liabilities		15,816,160	19	4,520,676	5
2XXX	Total liabilities		41,928,204	50	20,794,973	22
Equity						
Share capital						
3110	Common stock	6(17)	5,461,792	7	5,461,792	6
Capital surplus						
3200	Capital surplus	6(18)	2,898,044	3	2,807,477	3
Retained earnings						
3310	Legal reserve	6(19)	15,553,282	19	13,925,963	15
3320	Special reserve		381,843	-	381,843	-
3350	Unappropriated earnings		16,165,239	19	47,944,833	51
Other equity						
3400	Other equity		1,304,787	2	3,248,943	3
3XXX	Total equity		41,764,987	50	73,770,851	78
Significant contingent liabilities and unrecognized contract commitments			9			
Significant events after balance sheet date			11			
3X2X	Total liabilities and equity		\$ 83,693,191	100	\$ 94,565,824	100

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

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2022		2021	
			Amount	%	Amount	%
4000	<b>Operating revenue</b>	6(20) and 7	\$ 130,393,188	100	\$ 138,872,240	100
5000	<b>Operating costs</b>	6(5) and 7	( 117,076,863)	( 90)	( 126,116,513)	( 91)
5900	<b>Gross profit before realized (unrealized) profit from sales to subsidiaries and associates</b>		13,316,325	10	12,755,727	9
5910	Unrealized profit from sales		( 192,945)	-	( 178,613)	-
5920	Realized profit from sales		178,613	-	136,549	-
5950	<b>Gross profit</b>		13,301,993	10	12,713,663	9
	<b>Operating expenses</b>	6(24)(25) and 7				
6100	Selling expenses		( 2,537,298)	( 2)	( 2,119,205)	( 2)
6200	General and administrative expenses		( 1,007,429)	( 1)	( 2,048,641)	( 1)
6000	<b>Total operating expenses</b>		( 3,544,727)	( 3)	( 4,167,846)	( 3)
6900	<b>Operating profit</b>		9,757,266	7	8,545,817	6
	<b>Non-operating income and expenses</b>					
7100	Interest income	6(21) and 7	79,577	-	56,391	-
7010	Other income	6(22) and 7	1,224,335	1	1,276,264	1
7020	Other gains and losses	6(23)	252,811	-	565,683	1
7050	Finance costs		( 91,074)	-	( 21,016)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	( 30,423,061)	( 23)	8,286,264	6
7000	<b>Total non-operating income and expenses</b>		( 28,957,412)	( 22)	10,163,586	8
7900	<b>Profit before income tax</b>		( 19,200,146)	( 15)	18,709,403	14
7950	Income tax expense	6(26)	( 130,048)	-	( 2,498,645)	( 2)
8200	<b>(Loss) profit for the year</b>		(\$ 19,330,194)	( 15)	\$ 16,210,758	12
	<b>Other comprehensive income (loss) for the year, net of tax</b>					
	<b>Components of other comprehensive income (loss) that may not be reclassified to profit or loss</b>					
8316	Unrealized gain loss from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 1,482,013)	( 1)	\$ 1,208,837	1
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		80,053	-	73,769	-
8310	<b>Total components of other comprehensive income (loss) that may not be reclassified to profit or loss</b>		( 1,401,960)	( 1)	1,282,606	1
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statement translation differences of foreign operations		158,165	-	( 45,735)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		( 598,858)	-	141,423	-
8360	<b>Total components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		( 440,693)	-	95,688	-
8300	<b>Other comprehensive (loss) income for the year, net of tax</b>		(\$ 1,842,653)	( 1)	\$ 1,378,294	1
8500	<b>Total comprehensive (loss) income for the year</b>		(\$ 21,172,847)	( 16)	\$ 17,589,052	13
	<b>(Losses) Earnings per share (in dollars)</b>					
9750	<b>Basic (losses) earnings per share</b>	6(27)	(\$ 35.39)		\$ 29.68	
9850	<b>Diluted (losses) earnings per share</b>	6(27)	(\$ 35.39)		\$ 29.66	

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

**HO TAI MOTOR CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan Dollars)

	Notes	Share capital-common stock	Retained earnings				Other equity			
			Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains (loss) on financial assets at fair value through other comprehensive income	Gain (loss) on hedging instruments	Total equity
For the year ended December 31, 2021										
Balance at January 1, 2021		\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	\$ 496,286 )	\$ 2,418,985	\$ 10,377	\$ 65,477,704
Profit for the year		-	-	-	-	16,210,758	-	-	-	16,210,758
Other comprehensive income (loss) for the year		-	-	-	-	62,427	( 59,837 )	1,409,900	( 34,196 )	1,378,294
Total comprehensive income (loss)		-	-	-	-	16,273,185	( 59,837 )	1,409,900	( 34,196 )	17,589,052
Appropriation and distribution of retained earnings: 6(19)										
Legal reserve		-	-	1,381,630	-	( 1,381,630 )	-	-	-	-
Cash dividends		-	-	-	-	( 9,285,046 )	-	-	-	( 9,285,046 )
Changes in equity of associates and joint ventures accounted for using equity method		-	( 721 )	-	-	-	-	-	-	( 721 )
Changes in ownership interests in subsidiaries		-	7,116	-	-	-	-	-	-	7,116
Reorganization	6(6)	-	( 17,254 )	-	-	-	-	-	-	( 17,254 )
Balance at December 31, 2021		\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	\$ 556,123 )	\$ 3,828,885	\$ 23,819 )	\$ 73,770,851
For the year ended December 31, 2022										
Balance at January 1, 2022		\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	\$ 556,123 )	\$ 3,828,885	\$ 23,819 )	\$ 73,770,851
Loss for the year		-	-	-	-	( 19,330,194 )	-	-	-	( 19,330,194 )
Other comprehensive income (loss) for the year		-	-	-	-	101,503	232,571	( 2,269,629 )	92,902	( 1,842,653 )
Total comprehensive income (loss)		-	-	-	-	( 19,228,691 )	232,571	( 2,269,629 )	92,902	( 21,172,847 )
Appropriation and distribution of retained earnings: 6(19)										
Legal reserve		-	-	1,627,319	-	( 1,627,319 )	-	-	-	-
Cash dividends		-	-	-	-	( 10,923,584 )	-	-	-	( 10,923,584 )
Difference between proceeds on disposal of equity interest in subsidiary and its carrying amount	6(6)	-	119,102	-	-	-	-	-	-	119,102
Changes in ownership interests in subsidiaries	6(6)	-	( 27,638 )	-	-	-	-	-	-	( 27,638 )
Reorganization	6(6)	-	( 897 )	-	-	-	-	-	-	( 897 )
Balance at December 31, 2022		\$ 5,461,792	\$ 2,898,044	\$ 15,553,282	\$ 381,843	\$ 16,165,239	\$ 323,552 )	\$ 1,559,256	\$ 69,083	\$ 41,764,987

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

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>Cash flows from operating activities</u>			
(Loss) profit before income tax		( \$ 19,200,146 )	\$ 18,709,403
Adjustments to reconcile (loss)profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(24)	105,932	104,054
Net loss(gain) on financial assets and liabilities at fair value through profit or loss	6(23)	159,405	( 68,250 )
Interest expense		91,074	21,016
Interest income	6(21)	( 79,577 )	( 56,391 )
Dividend income		( 253,282 )	( 258,398 )
Share of loss (profit) of associates accounted for using equity method	6(6)	30,423,061	( 8,286,264 )
Net gain on disposal of property, plant and equipment	6(23)	( 699 )	( 812 )
Loss on abandonment of property, plant and equipment	6(23)	41	33
Unrealized profit from sales		192,945	178,613
Realized profit from sales		( 178,613 )	( 136,549 )
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		( 156,378 )	( 251,785 )
Notes receivable		( 689 )	( 2,479 )
Accounts receivable		( 853,372 )	( 1,110,244 )
Other receivables		94,885	122,524
Inventories		( 63,908 )	2,501,823
Prepayments		( 128,179 )	232,909
Net changes in liabilities relating to operating activities			
Notes and accounts payable		1,616,686	( 1,271,480 )
Other payables		( 505,297 )	154,842
Other current liabilities		( 3,419 )	( 28,089 )
Other non-current liabilities		( 24,796 )	503,680
Cash inflow generated from operations		11,235,674	11,058,156
Interest received		78,860	55,679
Cash dividends received		4,378,283	3,485,593
Interest paid		( 73,946 )	( 20,355 )
Income tax paid		( 2,323,894 )	( 1,315,108 )
Net cash provided by operating activities		13,294,977	13,263,965
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through other comprehensive income		( 68,571 )	-
Acquisition of investments accounted for using equity method	6(6)	( 26,223,500 )	( 800,000 )
Proceeds from disposal of investments accounted for using equity method	6(6)	338,661	-
Acquisition of property, plant and equipment	6(7)	( 49,437 )	( 38,724 )
Proceeds from disposal of property, plant and equipment	6(7)	2,720	6,655
Acquisition of intangible assets		-	( 23,800 )
Acquisition of investment property	6(10)	-	( 235 )
Increase in other non-current assets		( 16,278 )	( 8,983 )
Net cash used in investing activities		( 26,016,405 )	( 865,087 )
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6(28)	10,876,291	1,940,807
Proceeds from long-term loans	6(28)	8,000,000	-
Repayments of principal portion of lease liability	6(28)	( 5,782 )	( 5,766 )
Cash dividends paid	6(19)(28)	( 10,923,584 )	( 9,285,046 )
Net cash provided by (used in) financing activities		7,946,925	( 7,350,005 )
(Decrease) increase in cash and cash equivalents		( 4,774,503 )	5,048,873
Cash and cash equivalents at beginning of year		9,128,578	4,079,705
Cash and cash equivalents at end of year		\$ 4,354,075	\$ 9,128,578

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



Hotai Motor Co., Ltd.  
Table of Distribution of 2022 Profits

Unit: NT\$

Item	Subtotal	Total
Unappropriated earnings from previous period		35,393,930,719
Loss before income tax of current year	-19,200,146,536	
Less: Income tax	130,047,917	
Plus: Net loss after tax of current year		-19,330,194,453
Plus: 2022 retained earnings adjustment		101,502,514
Net loss after tax for the period and other items other than net loss after tax for the period		-19,228,691,939
Accumulated distributable earnings		16,165,238,780
Distributable Items		
Cash dividends (NT\$2.0 per share)		1,092,358,368
Stock dividends (NT\$0.2 per share)		109,235,840
Unappropriated earnings at the end of period		14,963,644,572

Huang, Nan-Kuang  
Chairman of the Board

Su, Chwen-Shing  
Executive Officer

Chen, Ting-Ju  
Chief Accounting Officer

## **Commitment to Long-Term Operation of Hotai Insurance Co., Ltd.**

### **Commitment to Long-Term Operation**

Hotai Motor Co., Ltd. (hereinafter referred to as "Hotai Motor") acquired approximately 99.73% of the shares of Hotai Insurance Co., Ltd. (hereinafter referred to as "Hotai Insurance") through its 100% owned subsidiary Hozan Investment Co., Ltd. on January 17th, 2017; later directly acquiring 2 billion shares through private placement of common shares offered by Hotai Insurance on October 11th, 2022. Hotai Motor directly and indirectly holds 99.98% of shares of Hotai Insurance. Regarding this direct acquisition of shares of Hotai Insurance, Hotai Motor declares and promises as follows:

1. Hotai Motor promises not to transfer its direct or indirect control of Hotai Insurance during the commitment period of the Commitment to Long-Term Operation issued on November 10th, 2016 unless approved by the Financial Supervisory Commission.
2. Hotai Motor promises that if Hotai Insurance needs to increase capital during the above commitment period, it shall be in compliance with the laws, regulations, and the requirements of the competent authorities.
3. In order to comply with the commitment to long-term operation of Hotai Insurance, if Hotai Insurance needs to increase capital and issue new shares due to the laws, regulations, and requirements of the competent authorities during the above commitment period, Hotai Motor promises to maintain direct or indirect holdings of at least 51% of the issued and outstanding shares of Hotai Insurance.

To the Financial Supervisory Commission

Commitment by:

Hotai Motor Co., Ltd.

Chair: Huang, Nan-Kuang

November 10<sup>th</sup>, 2022

## List of Positions that are Released from Director's Non-compete Restrictions

Director Candidates	Name	Current Positions at Other Companies
Chairman of the Board	Chun Yung Investment Co., Ltd. represented by Huang, Nan-Kuang	Director, Nan Du Motor Co., Ltd. Director, Kau Du Automobile Co., Ltd.
Director	Li Gang Enterprise Co., Ltd., represented by Su, Chwen-Shing	Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd.
Director	Chun Yung Investment Co., Ltd. represented by Huang, Wen-Jui	Director, eTreego Co., Ltd.
Director	YH Development Limited, represented by Leon Soo	Director, Tianjin Hekang Finance Leasing Co., Ltd.
Independent Director	Wu, Shih-Hao	Independent Director, Taiyen Biotech Co., Ltd.

# X. Exhibits

Exhibit 1

## HOTAI MOTOR CO., LTD. Articles of Incorporation

June 21, 2022

### Section I - General Provisions

#### Article 1

The Company shall be incorporated, as a company limited by shares, under Company Act of the Republic of China, and its name is Hotai Motor Company Limited.

#### Article 2

The scope of business of the Company shall be as follows:

1. Manufacture, assemble and sell all kinds of Motors (include chassis and car body) and components.
2. Import and export all kinds of Motor Vehicles (include chassis and car body) and components.
3. Manufacture and maintain Special Vehicles (trailers, rubbish trucks, sewage vacuum trucks, cranes, cement mixing vehicles, tankers and etc.)
4. Manufacture, assemble and sell all kinds of Industry Vehicles (tractors, bucket cars and hand lift cars) and components.
5. Car repair and Maintenance.
6. Import, export, and sell automotive measurement of Motor Vehicles.
7. Agency Business for all countries.
8. Broker Business.
9. Import and Export business.
10. Manufacture, assemble and sell air conditioners and heaters for Motor Vehicles and the components.
11. Import and export air conditioners and heaters for Motor Vehicles and the components.
12. Manufacture, assemble, sell, import and export radio equipment.
13. G801010 Warehousing.
14. In addition to the authorized scope of business, any business not prohibited or restricted by law.

#### Article 3

The Company may provide endorsement and guarantee and act as a guarantor.

#### Article 4

The Company shall not be subject to the restriction of not more than forty percent of the Company's paid-up capital as provided in Article 13 of Company Act if the Company is a shareholder with limited liability of another company.

#### Article 5

The Company has its head office in Taipei City, Taiwan, Republic of China, and shall be free, upon approval of Board of Director to set up, terminate or change representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Company deems it necessary or advisable to carry

out any or all of its activities.

#### Article 6

Public announcements of the Company shall be made in accordance with Article 28 of Company Act of the Republic of China.

### Section II - Capital Stock

#### Article 7

The total capital stock of the Company shall be in the amount of 6,000,000,000 New Taiwan Dollars, divided into 600,000,000 shares, at ten New Taiwan Dollars each, and may be issued in installments under approval of Board of Directors.

#### Article 8

The Company could ask for Large Denomination Securities if it is necessary to send the stocks to Taiwan Depository and Clearing Corporation.

#### Article 9

The share certificates of the Company shall be name-bearing and numbered share certificates signed by or sealed with the chop by the director representing the Company, and issued by a bank legally competent to serve as the attester for the issuance of share certificates in accordance with Company Act and relevant regulations of the Republic of China. The Company may issue shares without printing share certificate, but should ask for logging in from Taiwan Depository and Clearing Corporation.

#### Article 10

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Company shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

#### Article 11

The entries in the shareholders' roster shall not be altered within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the Company for distribution of dividends, bonus or other benefits.

#### Article 12

The Company could charge handling fee whilst a stock certificate needs replacement because it is lost or because of other reasons.

### Section III – Shareholders' Meeting

#### Article 13

Shareholders' meetings of the Company are of two types, namely: (1) regular meeting and (2) special meeting. Regular meeting is held once every year and shall be convened within six months after the close of each fiscal year. Special meeting shall be convened as necessary.

The meeting shall be convened by Board of Directors unless otherwise provided in Company Act of the Republic of China.

he Company's shareholders' meeting can be held by means of video conference or other methods promulgated by the central competent authority.

#### Article 14

Each share of stock shall be entitled to one vote.

#### Article 15

Except as otherwise provided in Company Act of the Republic of China, the chairman of shareholders' meeting should follow Article 23 of these Articles of Incorporation.

#### Article 16

If a shareholder is unable to attend a shareholders' meeting, he/she may appoint a representative by a power of attorney form issued by the Company to attend it, and to exercise, on his/her behalf, under his/her permission for all rights specified in the form at the meeting, in accordance with Article 177 of Company Act of the Republic of China. The way to use proxies shall follow Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies unless there are other regulation by Company Act of the Republic of China.

#### Article 17

Except as otherwise provided in Company Act of the Republic of China, resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting, and shareholders' meetings may be held if attended by shareholders representing more than one half of the total issued and outstanding capital stock of the Company.

#### Article 18

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall record the date, place, chairman's name, the way of resolutions, meeting process and result of shareholders' meeting. Such minutes shall be signed by or sealed with the chop of the chairman of the meeting and delivered to all shareholders within 20 days and kept during the continuance of existence of the Company.

The delivery of such minutes could be a public announcement.

The attendance list and proxies of the meetings shall be filed and kept for at least a year, but if a shareholder raise a suit in accordance with Article 189 of Company Act of the Republic of China, the attendance list and proxies of the meetings shall be filed and kept until the suit is over.

### **Section IV - Directors and Board of Directors**

#### Article 19

The Company shall have thirteen to fifteen directors. The aforesaid Board of Directors shall have three independent directors, and ten to twelve non-independent directors. Directors shall be elected by adopting candidates nomination system as specified in Company Act of the Republic of China. The term of office for Directors shall be three years, and all Directors shall be eligible for re-election.

The election of independent directors and non-independent directors shall be held together; however, the number of independent directors and non-independent

directors elected shall be calculated separately. The ones with more votes are the ones being independent or non-independent directors.

#### Article 20

The directors shall elect from among themselves a Chairman of Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Company shall elect a Vice Chairman through the same way if necessary.

#### Article 21

The Chairman of Board of Directors shall have the authority to represent the Company and execute all Company management in compliance with the relevant regulations, Articles of Incorporation, Resolutions of shareholders' meeting and Board of Directors.

#### Article 22

In the case that vacancies on Board of Directors exceed, for any reason, one third of the total number of the Directors, then Board of Directors shall convene a special shareholders' meeting to elect new Directors to fill such vacancies within 60 days.

#### Article 23

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of Board of Directors shall be convened by the Chairman of Board of Directors.

The Chairman of Board of Directors shall have the authority to represent the Company and shall chair the of shareholders' meeting and Board of Directors' meeting. In case the Chairman of the Board of Directors is on leave or unable to exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman, or the Vice Chairman is also on leave or absent or unable to exercise his power and authority for any cause, the Chairman of Board of Directors shall designate one of the directors to act on his behalf; if the Chairman of Board of Directors has not designated anyone to act on his behalf, the directors shall designate one among themselves. Notices of Board of Directors' meetings could be through writing, fax or electronic.

#### Article 24

Except as otherwise provided in Company Act of the Republic of China, a meeting of Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

#### Article 25

A Director shall attend the meetings of Board of Directors in person, if he/she may not attend, he/she shall by written authorization, appoint another Director to attend on his/her behalf the meetings of the Board of Directors, and to vote for him/her on matters presented at such meeting as specified on the authorization, but no Director may act as proxy for more than one other Director.

#### Article 26

The resolutions of Board meetings shall be recorded in the minutes, and such minutes

shall record the date, place, chairman's name, the way of resolutions, meeting process and result of Board meetings. Such minutes shall be signed by or sealed with the chop of the chairman of the meeting and sent to all directors within 20 days. The production and delivery of such minutes could be through electronic means. The minutes, attendance list of the meetings shall be kept during the continuance of existence of the Company.

#### Article 27

In compliance with regulation, the Company shall establish an Audit Committee, which shall consist of all independent directors.

The Audit Committee shall be responsible for those responsibilities of Supervisors specified under Company Act, Securities and Exchange Law and other relevant regulations of the Republic of China.

In addition to the establishment of an Audit Committee, the Company's Board of Directors may also establish other functional committees, and their regulations shall be enacted by Board of Directors.

#### Article 28

Board of Directors is authorized to determine the salary for Directors, the standards of the industry shall be taken into account. The company may take out liability insurance for directors with respect to liabilities resulting from exercising their duties during their terms of occupancy.

#### Article 29

The total registered shares owned by Directors of the Company shall be in accordance with Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.

### Section V – Management

#### Article 30

The Company shall appoint one President, and such other Vice Presidents and Directors.

#### Article 31

The decision to engage with, terminate and pay for the management shall be held in the meeting of Board of Directors if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

### Section - VI Account

#### Article 32

The fiscal year for the Company shall be from January 1 of each year to December 31 of the same year.

#### Article 33

After the close of each fiscal year, the following reports shall be prepared by Board of Directors, and submitted to the Audit Committee before 30 days of regular shareholders' meeting:

1. Business Report;



2. Financial Statements;
3. The surplus earning distribution or loss offsetting proposals.

#### Article 34

To the extent that the Company has generated annual profits, 1% of which shall be set aside for employee remuneration and no more than 2% for directors' remuneration; provided, however, independent directors are not eligible to participate in the profit distribution of the Company. Any accumulated losses of the Company shall first be offset.

Employee remuneration may be paid in the form of stocks or cash and shall be approved by over half of the directors present at the Board meeting attended by at least two-thirds of the directors, and shall be reported at the shareholders' meeting.

Employee remuneration may be paid in the form of stocks or cash and shall be approved by over half of the directors present at a Board meeting attended by at least two-thirds of the director; in addition thereto, such distribution shall be reported at the shareholders' meeting.

#### Article 35

The Company is in a constantly evolving industry and has entered into the maturity stage of its life cycle. In order to fulfill the need of shareholders' cash inflow and take the Company's funding requirement and long-term financial plan into consideration, if there are earning surplus after final accounting of the fiscal year, the Company shall, after its losses in previous years have been covered and all applicable taxes and dues have been paid, first set aside 10% as legal reserve, then set aside special reserve pursuant to applicable law or regulation, then combined with the initial undistributed surplus of that period, shall be the accumulated earnings available for distribution to the shareholders. The ratio of dividend shall not be lower than 50% of current year earnings available for distribution; distribution of cash dividend shall not be lower than 10% of total dividend.

The way and ratio of distribution of profits shall take profit status and financial factors into consideration; the proposal shall be prepared by Board of Directors, and then submitted to shareholders' meeting for approval.

The decision to distribute all or part of the dividends and/or bonuses in cash shall be adopted by a resolution of the majority of the Board of Directors in a meeting attended by over two-thirds of the directors and reported to the shareholders' meeting; the requirement to obtain shareholders' approval in the preceding paragraph shall not apply.

### Section VII Supplementary Provisions

#### Article 36

The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

#### Article 37

In regard to all matters not provided for in these Articles of Incorporation, Company Act and other related regulations of the Republic of China shall govern.

## Article 38

These Articles of Incorporation are agreed to and signed on January 1, 1955, and the first Amendment was on February 27, 1959, the second Amendment on February 6, 1960, the third Amendment on August 15, 1966, the fourth Amendment on May 12, 1967, the fifth Amendment on October 1, 1967, the sixth Amendment on March 15, 1970, the seventh Amendment on December 5, 1970, and the eighth Amendment on September 30, 1971, the ninth Amendment on February 28, 1974, the tenth Amendment on June 18, 1974, the eleventh Amendment on June 26, 1976, the twelfth Amendment on March 15, 1977, the thirteenth Amendment on March 17, 1978, the fourteenth Amendment on April 25, 1979, the fifteenth Amendment on May 10, 1981, the sixteenth Amendment on September 7, 1982, the seventeenth Amendment on October 27, 1983, the eighteenth Amendment on March 17, 1988, the nineteenth Amendment on May 18, 1990, the twentieth Amendment on April 24, 1991, the twenty-first Amendment on May 22, 1992, the twenty-second Amendment on March 26, 1993, the twenty-third Amendment on May 27, 1994, the twenty-fourth Amendment on June 13, 1995, the twenty-fifth Amendment on May 10, 1996, the twenty-sixth Amendment on May 16, 1997, the twenty-seventh Amendment on May 15, 1998, the twenty-eighth Amendment on May 24, 2000, the twenty-ninth Amendment on May 11, 2001, thirtieth Amendment on June 20, 2002, thirty-first Amendment on June 18, 2004, thirty-second Amendment on June 13, 2007, thirty-third Amendment on June 21, 2012, thirty-fourth Amendment on June 25, 2015, thirty-fifth Amendment on June 21, 2016, thirty-sixth Amendment on June 20, 2019, and thirty-seventh Amendment on June 19, 2020. thirty-eighth Amendment on June 21, 2022.

**HOTAI MOTOR CO., LTD.**  
**Rules and Procedures of Shareholders' Meeting**

June 23, 2021

Article 1

Shareholders' Meeting of the Company (the Meeting) shall be conducted in Accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.

Article 2

The shareholders of this Rules and Procedures mean and equal to shareholders themselves or his/her representative.

Article 3

Shareholders attending the Meeting shall be with attendance certification and submit the attendance card for the purpose of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

Article 4

The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.

Article 5

The Chairman of Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of Board of Directors cannot preside at the Meeting, the Vice Chairman of Board of Directors shall preside at the Meeting. If, for any reason, the Vice Chairman of Board of Directors cannot preside at the Meeting, the Chairman shall appoint one of the Directors to represent him/her. If the Chairman of Board of Directors do not appoint one, the managing directors or the Directors should elect one person from amongst themselves.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

If there are more than one person entitled to convene the Meeting, they should elect each other themselves.

Article 6

The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards.

Article 7

The process of the Meeting shall be tape recorded or videotaped and these tapes shall be preserved for at least one year.

#### Article 8

Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of Company Law of Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of Company Law of Republic of China. If during the process of the Meeting the number of outstanding shares Represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of Company Law of Republic of China.

#### Article 9

The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, who is entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved. In the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.

#### Article 10

When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speech by shareholders should be decided by the chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

#### Article 11

The inquiries related to the report items set forth in the agenda from the

shareholders or their representatives shall only be raised after the chairman or his/her representative finishes the reading or reporting of such report items. Each shareholder shall not, for each discussion item, speak more than once, each time not exceeding 3 minutes. For other items, each shareholder shall not speak more than two times, each time not exceeding 5 minutes.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, inappropriately influence the Meeting, the chairman may stop the speech of such shareholder. The shareholders who disobey the chairman's instruction might be forced to leave the Meeting by disciplinary officers involuntary.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

#### Article 12

After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

#### Article 13

The chairman may announce to end the discussion of any resolution and go into voting if the chairman deems it appropriate.

#### Article 14

The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s).

#### Article 15

Except otherwise specified in Company Law of Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the effect as if it was voted if no objection is voiced after solicitation by the chairman.

The result of voting shall be announced at the Meeting and placed on record.

The minutes shall be recorded and preserved in accordance with Article 18 of the Articles of Incorporation of the Company.

#### Article 16

If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

#### Article 17

During the Meeting, the chairman may, at his/her discretion, set time for intermission. In case of incident of force majeure such as Air raid warning,

earthquakes and outbreak of fire, the chairman may decide to temporarily suspend the Meeting until the emergency is being solved for an hour and announce when the Meeting will resume.

#### Article 18

The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose. The shareholders shall obey the chairman and Disciplinary Officers' instructions. The person who intervene or disturb the Meeting and do not obey instructions shall be remove as obstacles by disciplinary officers.

#### Article 19

Any matter not provided in these Rules and Procedures shall be handled in accordance with Company Law, Securities and Exchange Act and relevant laws and regulations.

#### Article 20

These Rules and Procedures shall be effective from the date it is approved by the Annual Shareholders' Meeting. The same applies in case of revision.

## Shareholdings of Directors

As of April 29, 2023; Unit: Share

Title	Name	Authorized Representative	Shareholding	%
Chairman	Chun Yung Investment Co., Ltd.	Huang, Nan-Kuang	174,000	0.032%
Director	Li Gang Enterprise Co., Ltd.	Su, Chwen-Shing	40,569,353	7.428%
Director	Toyota Motor Corporation	Kazuo Naganuma	44,406,112	8.130%
Director	Chun Yung Investment Co., Ltd.	Lin, Li-Hua	174,000	0.032%
Director	Li Gang Enterprise Co., Ltd.	Su, Jean	40,569,353	7.428%
Director	Chun Yung Investment Co., Ltd.	Huang, Chih-Cheng	174,000	0.032%
Director	Yong Hui Development Co., Ltd.	Su, Yi-Chung	10,000	0.002%
Director	Yuan Tuo Investment Co., Ltd.	Ko, Junn-Yuan	14,663,894	2.684%
Director	Gui Long Investment Co., Ltd.	Chang, Shih-Yieng	5,126,000	0.939%
Director	Chun Yung Investment Co., Ltd.	Huang, Wen-Jui	174,000	0.032%
Director	Yong Hui Development Co., Ltd.	Leon Soo	10,000	0.002%
Independent Director	Li, Chao-Sen	-	0	0%
Independent Director	Su, Chin-Huo	-	0	0%
Independent Director	Wu, Shih-Hao	-	0	0%
Total			104,949,359	19.215%

Paid-up capital: NT\$5,461,791,840      Total shares issued: 546,179,184 shares.

According to Article 26 of the Securities Exchange Act of the Republic of China, the minimum required percentage of shares held by all directors is as follows:

Share ownership of directors required by law: 17,477,734 shares.

The share ownership of directors has met the minimum legal requirement.

The Audit Committee of the Company will replace the functions of supervisors. Therefore, the minimum legal requirement of supervisor shareholding does not apply.



# 和泰汽車股份有限公司 Hotai Motor Co., Ltd.

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