

Handbook for the 2017 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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June 22, 2017

Table of Contents

I. Agenda of the Annual General Shareholders' Meeting -----	P1
II. Reports -----	P2
III. Ratifications -----	P4
IV. Discussion -----	P5
V. Extemporaneous Motions -----	P6
VI. Adjournment -----	P6
VII. Appendixes	
1. 2016 Business Report -----	P7
2. Audit Committee Report -----	P9
3. 2016 Financial Statements -----	P10
4. Table of 2016 Profit Distribution -----	P32
5. Comparison of the Current and Amended Provisions of the Procedures for the Acquisition and Disposition of Assets; Current Version of the Procedures for the Acquisition and Disposition of Assets -----	P33
6. Details of the Concurrent Positions Held by Directors of the Company -----	P61
VIII. Exhibits	
1. Articles of Incorporation of the Company -----	P62
2. Rules and Procedures of Shareholders' Meeting -----	P69
3. Shareholdings of Directors -----	P73

I. Agenda of the Annual General Shareholders' Meeting

Meeting Time: 9:00 a.m., June 22, 2017 (Thursday)

Meeting Place: Auditorium in the Xinzhuang Industrial Park of the Company located at No.10, Mingzhong St., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)

1. Chairman's Address
2. Reports
 - (1) 2016 Business Report
 - (2) 2016 Audit Committee Report
 - (3) Distribution of employee and director remuneration in 2016
3. Ratifications
 - (1) Ratification of the 2016 Business Report and financial statements
 - (2) Ratification of the proposed distribution of 2016 profits
4. Discussion
 - (1) Proposal to amend the Procedures for the Acquisition and Disposition of Assets of the Company
 - (2) Proposal to release directors from non-compete restrictions
5. Extemporaneous Motions
6. Adjournment

II. Reports

Item No.1 — 2016 Business Report

Explanation: Please see Appendix 1 for the Company's 2016 Business Report (pages 7-8).

Item No.2 — 2016 Audit Committee Report

Explanation:

- (1) The Company's 2016 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 9).

Item No.3 — Distribution of Employee and Director Remuneration in 2016

Explanation:

- (1) The distribution shall be declared and made in accordance with Article 235-1 of the Company Act and Article 34 of the Articles of Incorporation of the Company.
- (2) According to Article 34 of the Company's Articles of Incorporation, to the extent that the Company has annual profits, 1% of which shall be set aside for employee remuneration and no more than 2% of which for director remuneration (the remuneration paid to directors and supervisors in 2015 shall not exceed 3% of the profits); provided, however, the independent directors shall not participate in any distribution of the remuneration. In the event that the Company has accumulated losses, an amount of the annual profits shall be set aside to cover such losses.
- (3) The Company's annual profits in 2016 are NT\$12,616,880 thousand (which are the profits of the Company prior to deducting employee and director remuneration from the pre-tax profits), 1% of which has been set aside for employee remuneration (totaling NT\$ 126,169 thousand), and 2% of which has been set aside for directors' remuneration (totaling NT\$ 252,338 thousand).

III. Ratifications

Item No.1 — Ratification of the 2016 Business Report and Financial Statements (proposed by the Board of Directors)

Explanation:

- (1) The Company's 2016 Business Report and financial statements have been adopted by the resolution of the 19th 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 7-8) and Appendix 3 (pages 10-31) for the Company's 2016 Business Report and Financial Statements.

Resolution:

Item No.2 — Ratification of the proposed distribution of 2016 profits (proposed by the Board of Directors)

Explanation:

- (1) After setting aside 10% of the 2016 profits as legal reserve, the Company, pursuant to the resolution of the 19th term of the Board of Directors at the 8th meeting, intends to distribute cash dividends at NT\$ 12 per share.
- (2) Please refer to Appendix 4 for the Table of 2016 Profit Distribution (page 32).
- (3) After this proposal is approved at the annual general meeting of the shareholders, the Chairman of the Board will be authorized to set the ex-dividend date and payment date for the distribution of cash dividends, and to handle other relevant matters.

Resolution:

IV. Discussion

Item No.1 — Proposal to amend the Procedures for the Acquisition and Disposition of Assets (proposed by the Board of Directors)

Explanation:

- (1) Due to the business needs of the Company and in order to reflect the amendments to certain provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission, the Board proposed to amend the Procedures for the Acquisition and Disposition of Assets of the Company (the “Procedures”).
- (2) Please refer to Appendix 5 for the Comparison of the Current and Amended Provisions of the Procedures, as well as the current version of the Procedures (pages 33-60).

Resolution:

Item No.2 — Proposal to release the directors from non-compete restrictions (proposed by the Board of Directors)

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), as of the date on which such directors take office, 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 can be found in Appendix 6 (pages 61).

Resolution:

V. Extemporaneous Motions

VI. Adjournment

2016 Business Report

【Market】

The global and Taiwan economy were stagnant in the first half of 2016. As global energy prices held steady and purchasing power picked up, economic activities worldwide rebounded in the second half of 2016. In Taiwan, stronger exports driven by the rising demands for smart devices encourage investments in the country, the growth rate is currently estimated at 1.50% in 2016, up 0.78 percent higher than last year. Under the government's commodity tax rebate policy through the scrappage program, the total sales in the automotive market reached about 440,000 units, an increase of nearly 19,000 units from the previous year, the highest record since 2005.

【Operational Review】

Under the government's commodity tax rebate policy through the scrappage program, demand surged and boosted sales in the automotive market in 2016. The total sales in the automotive market was 439,629 units, hitting a historic high in the last 11 years. We became the first in the industry to offer an instant purchasing rebate of NT\$50,000 to our customers who would like to participate in the said program. The special offer was aimed to reduce customer's waiting time while the application is pending for government's approval of the rebate and effectively stimulate purchasing. Meanwhile, under the support of TMC, we also launched the all-new TOYOTA SIENTA and redesigned models of TOYOTA ALTIS and LEXUS IS. By the joint effort of the company and our dealers, the total number of registered vehicles last year was 145,000 units, a growth of more than 7,000 units from last year, which accounted for 33.0% of market share, putting us at the top among automakers in Taiwan in 15 consecutive years.

In other business operations of Hotai Motor Group, Hotai Finance Co. offers installment payment and financial management services. As of the end of 2016, Hotai Leasing Co. has 90 iRent kiosks across the country, a 24-hour self-service rental, offering consumers a faster and more convenient rental services to meet all travel needs. Hotai Finance Co. and Hotai Leasing Co. remain as No. 1 ranked companies in several other sectors, including automotive installment, and short-term and long-term rental. In cooperation with Kuozui Motors, Carmax Co., Ltd., as a professional car accessory supplier continues to sell products to TMC to be assembled into whole vehicles and exported to six countries in the Middle East. As a result, revenue reached its high record. The Group is currently working towards joining the global automotive production and supply network in hope to recreate growth momentum. Last year, Chinese government implemented a tax cut for small-engine cars. The tax incentive benefited the automotive industry in China and resulted in a total of 28.03 million vehicle sales in 2016, jumping 14% from the previous year. With the support of our regional operating headquarters in China, Hotong Motor Investment Co., Ltd., which integrates all our sales outlets and manages the sales and promotions in China, revenue showed strong growth compared to a year earlier. In 2016, a NT\$318 million revenue from the sales in China was recognized by Hotai, setting an all-time-record.

【Financial Performance】

In 2016, the Group's consolidated revenue totaled NT\$172.532 billion, consolidated profit before tax was NT\$14.547 billion, and consolidated net profit was NT\$12.059 billion; NT\$10.740 billion of the net profit was attributed to the parent company, Hotai Motor. The earnings per share was NT\$19.66, increased by 9.8 percent from 2015, marking a new high record.

【Management and Corporate Development】

Looking ahead, as recovery of global economy remains subdued, trade perfectionism is on the rise and could curb economic growth in Taiwan. Total vehicle sales are projected to be 430,000 units this year because the scrappage program policy in the automotive industry is expected to weaken. In order to achieve new sales record in passenger car and commercial vehicle segments in 16 and 8 consecutive years respectively, we will continue to introduce new car models and provide products and after-sales services that address the needs of our customers.

While chasing sales growth is an important goal of our business operations, customer satisfaction is also highly valued. This year, we will strive to improve customer and employee experiences with our “樂在 Toyota” campaign. It is our mission to deliver fun experiences to customers in driving our vehicles and to employees in working at our company, thereby achieving greater customer satisfaction. Furthermore, each business segment within the group will continue to explore new business opportunities. In January this year, our affiliate, Ho-Jan Investment Co., Ltd., expanded into the insurance industry by acquiring 99.80% of the equities in Zurich Insurance (Taiwan) Ltd. (which has been renamed as Hotai Insurance Co., Ltd. as of March 1, 2017). Going forward, we will develop auto insurance products that meet the needs of the customers by utilizing our expertise and know-how in the auto industry. As measures to create higher service density and convenience, Hotai Leasing will expand iRent locations, with the goal of increasing the kiosks to 250 locations in 2017, and provide one-way rental service.

This year as we celebrate the 70th anniversary of Hotai, we will aggressively develop and launch new products, enhance sales forces and brand equity, provide higher quality after-sales maintenance service, develop talents for the future operations of the Group, reinforce management system, and create a complete automotive value chain to further solidify our leading position in the automotive industry.

Huang, Nan-Kuang

Chairman of the Board

Su, Chwen-Shing

Executive Officer

Chen, Ting-Ju

Chief Accounting Officer

Audit Committee Report

To: The 2017 Annual General Shareholders' Meeting of Hotai Motor Company Limited (the "Company")

The Board of Directors has prepared and submitted important financial documents to the Audit Committee, including the 2016 Business Report, audited Financial Statements, and proposal for allocation of profit. The Financial Statements were audited by PricewaterhouseCoopers Taiwan, an independent registered public accounting firm retained by the Company, which issued an audit report based on their review.

As the Audit Committee of the Company, we have reviewed the Business Report, audited Financial Statements, and profit allocation proposal and found them to be correct and accurate. We hereby issue this report pursuant to Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act of the Republic of China.

Chen, Ji-Jhen

Independent Director

Wu, Shih-Hao

Independent Director

Su, Chin-Huo

Independent Director

March 28, 2017

**REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)**

PWCR16000310

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 “Company”) as of December 31, 2016 and 2015, 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 report of other independent accountants (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, 2016 and 2015, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the “Regulations Governing the Preparations 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other independent accountants are 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Evaluation of provision for impairment of accounts receivable in Hotai Finance Co., Ltd., the associate accounted for using equity method

Description

When accounts receivable are past due over 30 days, Hotai Finance Co., Ltd. already considers the collectability of those accounts in doubt. In addition to enhancing collection progress from customers, management also assesses the collectability of each account based on the probability of overdue accounts becoming impaired over the past 5 years. 15%~100% of provision for impairment is provided for those doubtful accounts receivable depending on the length of overdue days. Since the provision for impairment of accounts receivable in Hotai Finance Co., Ltd. would impact the Company's share of profit of associate accounted for using equity method, it was 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 and the calculation process in the accounting system in Hotai Finance Co., Ltd.. Sampled and tested the accuracy of accounts receivable aging report.
2. For those accounts past due over 30 days, Hotai Finance Co., Ltd. will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past 5 years and Hotai Finance Co., Ltd.'s policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past 5 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

Please refer to Note 4(20) to the parent company only financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimate and assumptions of provisions for warranty, and Note 6(13) for details of the provisions for warranty.

In order to enhance customer's confidence on product quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, the Company provides an extra 4th year or 20 thousand-kilometer limited warranty extension free of charge for customers in Taiwan driving Toyota cars. Since the provisions for warranty involves massive historical data as well as complex calculation in respect of maintenance and repair experience and the estimation on customer return rate, it was identified as 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. For each car model sold within 4 years and met the warranty claimed in 4th year or less than 120 thousand kilometer, obtained those cars' maintenance details and registration form, sampled and tested each car's warranty cost on maintenance records for each car model.

2. Obtained maintenance records for each car model sold within 4 years, and calculated the possibility of warranty claimed from each car model.
3. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme as aforementioned. Evaluated the reasonableness of provision for warranty by considering the customer return rate and warranty claimed cost from each car model.

Other matter – Using the work of other independent accountants

We did not audit the financial statements of certain investments recognized under the equity method that are included in the parent company only financial statements. Investments using equity methods amounted to NT\$ 5,189,047 thousand and NT\$ 5,067,014 thousand on December 31, 2016 and 2015, constituting 9.05 % and 9.96% of total assets, respectively. For the year ended December 31, 2016 and 2015, the comprehensive income amounted to NT\$308,221 thousand and NT\$ 306,437 thousand on December 31, 2016 and 2015, constituting 2.99% and 3.16 % of total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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 Preparations 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 audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment 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 auditor's 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 auditor's 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 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 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 auditor's 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.

Chin-Mu, Hsiao

Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

March 28, 2017

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 report of independent accountants 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, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 6,361,116	11	\$ 5,820,416	12
1110	Financial assets at fair value through profit or loss	6(2)	2,826,648	5	3,153,196	6
1150	Notes receivable, net	6(4)	20,394	-	17,081	-
1160	Notes receivable – related parties, net	6(4) and 7	4,519	-	43,950	-
1170	Accounts receivable, net	6(4)	27,227	-	33,903	-
1180	Accounts receivable – related parties, net	6(4) and 7	1,596,484	3	1,445,862	3
1200	Other receivables	7	516,255	1	731,633	1
130X	Inventories, net	6(5)	5,492,689	9	1,572,201	3
1410	Prepayments		968,621	2	279,717	1
11XX	Total current assets		<u>17,813,953</u>	<u>31</u>	<u>13,097,959</u>	<u>26</u>
Non-current assets						
1523	Available-for-sale financial assets	6(3)	786,884	1	789,613	2
1550	Investments accounted for using equity method	6(6)	32,345,247	56	30,581,248	60
1600	Property, plant and equipment	6(7)	3,720,240	7	3,696,383	7
1760	Investment property, net	6(8)	2,042,490	4	2,068,920	4
1840	Deferred income tax assets	6(22)	251,648	-	265,936	-
1900	Other non-current assets		362,709	1	367,579	1
15XX	Total non-current assets		<u>39,509,218</u>	<u>69</u>	<u>37,769,679</u>	<u>74</u>
1XXX	Total assets		<u>\$ 57,323,171</u>	<u>100</u>	<u>\$ 50,867,638</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term loans	6(9)	\$ 1,193,250	2	\$ 351,227	1
2170	Accounts payable	6(10)	1,989,118	3	1,966,924	4
2180	Accounts payable – related parties	6(10) and 7	5,663,866	10	3,544,343	7
2200	Other payables	6(11) and 7	1,844,853	3	2,120,939	4
2230	Current income tax liabilities	6(22)	868,289	2	843,186	2
2250	Provisions	6(13)	925,804	2	1,135,281	2
2300	Other current liabilities		152,612	-	130,958	-
21XX	Total current liabilities		<u>12,637,792</u>	<u>22</u>	<u>10,092,858</u>	<u>20</u>
Non-current liabilities						
2550	Provisions	6(13)	815,525	2	713,537	2
2570	Deferred income tax liabilities	6(22)	762,954	1	696,446	1
2600	Other non-current liabilities		658	-	658	-
25XX	Total non-current liabilities		<u>1,579,137</u>	<u>3</u>	<u>1,410,641</u>	<u>3</u>
2XXX	Total liabilities		<u>14,216,929</u>	<u>25</u>	<u>11,503,499</u>	<u>23</u>
Equity						
Share capital						
3110	Common stock	6(14)	5,461,792	10	5,461,792	11
Capital surplus						
3200	Capital surplus	6(15)	263,060	-	263,060	-
Retained earnings						
3310	Legal reserve	6(16)	8,262,717	14	7,285,058	14
3320	Special reserve		381,843	1	381,843	1
3350	Unappropriated earnings		28,074,357	49	24,863,218	49
Other equity						
3400	Other equity interest		662,473	1	1,109,168	2
3XXX	Total equity		<u>43,106,242</u>	<u>75</u>	<u>39,364,139</u>	<u>77</u>
Commitments and contingent liabilities						
		9				
Significant events after balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 57,323,171</u>	<u>100</u>	<u>\$ 50,867,638</u>	<u>100</u>

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, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2016		2015	
		Amount	%	Amount	%
4000 Operating revenue	6(17) and 7	\$ 110,353,594	100	\$ 101,971,202	100
5000 Operating costs	6(5) and 7	(100,826,855)	(91)	(93,228,787)	(92)
5900 Gross profit before realized (unrealized) gross profit on sales to subsidiaries and associates		9,526,739	9	8,742,415	8
5910 Unrealized profit from sales		(74,663)	-	(107,344)	-
5920 Realized profit from sales		107,344	-	70,646	-
5950 Gross profit		9,559,420	9	8,705,717	8
Operating expenses	6(20)(21) and 7				
6100 Selling expenses		(2,040,010)	(2)	(1,906,061)	(2)
6200 General and administrative expenses		(1,240,018)	(1)	(1,247,809)	(1)
6000 Total operating expenses		(3,280,028)	(3)	(3,153,870)	(3)
6900 Operating profit		6,279,392	6	5,551,847	5
Non-operating income and expenses					
7010 Other income	6(18) and 7	882,901	1	915,140	1
7020 Other gains and losses	6(19)	87,147	-	10,546	-
7050 Finance costs	7	(19,872)	-	(23,550)	-
7070 Share of profit of subsidiaries associates and joint ventures accounted for using equity method	6(6)	5,008,805	4	4,679,684	5
7000 Total non-operating income and expenses		5,958,981	5	5,581,820	6
7900 Profit before income tax		12,238,373	11	11,133,667	11
7950 Income tax expense	6(22)	(1,498,334)	(1)	(1,357,076)	(1)
8200 Profit for the year		\$ 10,740,039	10	\$ 9,776,591	10
Other comprehensive income (loss) for the year, net of tax					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8330 Share of other comprehensive loss of subsidiaries associates and joint ventures accounted for using equity method		\$ 7,937	-	(\$ 64,585)	-
8310 Total components of other comprehensive income (loss) that will not be reclassified to profit or loss		7,937	-	(64,585)	-
Components of other comprehensive loss that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(280,197)	(1)	(16,648)	-
8362 Unrealized gain (loss) from available-for-sale financial assets	6(3)	20,303	-	(92,279)	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(188,194)	-	103,244	-
8399 Income tax related to components of other comprehensive income	6(23)	1,393	-	-	-
8360 Total components of other comprehensive loss that will be reclassified to profit or loss		(446,695)	(1)	(5,683)	-
8300 Other comprehensive loss for the year, net of tax		(\$ 438,758)	(1)	(\$ 70,268)	-
8500 Total comprehensive income for the year		\$ 10,301,281	9	\$ 9,706,323	10
Earnings per share (in dollars)	6(23)				
9750 Basic earnings per share		\$ 19.66		\$ 17.90	
9850 Diluted earnings per share		\$ 19.65		\$ 17.89	

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, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity			Total equity	
		Share Capital – common stock	Capital surplus –additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain from available-for-sale financial assets		Gain (loss) on effective portion of cash flow hedges
<u>2015</u>										
Balance at January 1, 2015		\$ 5,461,792	\$ 263,060	\$ 6,365,384	\$ 381,843	\$ 21,805,767	\$ 390,270	\$ 734,523	(\$ 9,942)	\$ 35,392,697
Appropriation and distribution of earnings	6(16)									
Legal reserve		-	-	919,674	-	(919,674)	-	-	-	-
Cash dividends		-	-	-	-	(5,734,881)	-	-	-	(5,734,881)
Profit for the year		-	-	-	-	9,776,591	-	-	-	9,776,591
Other comprehensive income (loss) for the year		-	-	-	-	(64,585)	(17,561)	4,257	7,621	(70,268)
Balance at December 31, 2015		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 7,285,058</u>	<u>\$ 381,843</u>	<u>\$ 24,863,218</u>	<u>\$ 372,709</u>	<u>\$ 738,780</u>	<u>(\$ 2,321)</u>	<u>\$ 39,364,139</u>
<u>2016</u>										
Balance at January 1, 2016		\$ 5,461,792	\$ 263,060	\$ 7,285,058	\$ 381,843	\$ 24,863,218	\$ 372,709	\$ 738,780	(\$ 2,321)	\$ 39,364,139
Appropriation and distribution of earnings	6(16)									
Legal reserve		-	-	977,659	-	(977,659)	-	-	-	-
Cash dividends		-	-	-	-	(6,554,150)	-	-	-	(6,554,150)
Profit for the year		-	-	-	-	10,740,039	-	-	-	10,740,039
Participation in subsidiary's capital increase not proportional to ownership		-	-	-	-	(5,028)	-	-	-	(5,028)
Other comprehensive income (loss) for the year		-	-	-	-	7,937	(484,291)	44,400	(6,804)	(438,758)
Balance at December 31, 2016		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 8,262,717</u>	<u>\$ 381,843</u>	<u>\$ 28,074,357</u>	<u>(\$ 111,582)</u>	<u>\$ 783,180</u>	<u>(\$ 9,125)</u>	<u>\$ 43,106,242</u>

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, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>Cash flows from operating activities</u>			
Profit before income tax		\$ 12,238,373	\$ 11,133,667
Adjustments to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets at fair value through profit or loss	6(19)	(63,642)	67,111
Reversal of bad debts expense	6(4)	-	(157)
Depreciation (including investment property)	6(7)(8)(20)	86,288	93,836
Amortization	6(20)	-	1,692
Net loss (gain) on disposal of property, plant and equipment	6(7)(19)	40	(464)
Loss on abandonment of property, plant and equipment	6(7)(19)	81	18,289
Share of profit of associates accounted for using equity method	6(6)	(5,008,805)	(4,679,684)
Dividend income		(36,680)	(39,504)
Interest expense		19,872	23,550
Interest income	6(18)	(74,853)	(78,611)
Gains on disposal of investments		(3)	-
Unrealized profit from sales		74,663	107,344
Realized profit from sales		(107,344)	(70,646)
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		390,190	(719,785)
Notes receivable		36,118	(41,690)
Accounts receivable		(143,946)	(722,111)
Other receivables		215,580	(132,390)
Inventories		(3,920,488)	(611,416)
Prepayments		(688,889)	(148,556)
Net changes in liabilities relating to operating activities			
Notes and accounts payable		2,141,717	3,086,645
Other payables		(276,360)	311,830
Other current liabilities		(187,823)	39,005
Other non-current liabilities		101,988	1,117
Cash generated from operations		4,796,077	7,639,072
Cash dividends received		2,850,080	2,937,757
Interest paid		(19,613)	(23,734)
Income tax paid		(1,392,435)	(1,075,216)
Interest received		74,649	78,591
Net cash provided by operating activities		6,308,758	9,556,470
<u>Cash flows from investing activities</u>			
Acquisition of available-for-sale financial assets	6(3)	-	(32,526)
Proceeds from capital reduction of available-for-sale financial assets		23,032	-
Proceeds from disposal of available-for-sale financial assets		3	-
Acquisition of investments accounted for using equity method	6(6)	-	(10,763)
Proceeds from disposal of investments accounted for using equity method	6(6)	-	151,524
Acquisition of property, plant and equipment and investment property	6(7)(8)	(83,850)	(25,878)
Proceeds from disposal of property, plant and equipment	6(7)	14	2,558
Decrease (increase) in other non-current assets		4,870	(27,947)
Net cash (used in) provided by investing activities		(55,931)	56,968
<u>Cash flows from financing activities</u>			
(Decrease) increase in short-term loans		842,023	(712,213)
Cash dividends paid	6(16)	(6,554,150)	(5,734,881)
Net cash used in financing activities		(5,712,127)	(6,447,094)
Increase in cash and cash equivalents		540,700	3,166,344
Cash and cash equivalents at beginning of year		5,820,416	2,654,072
Cash and cash equivalents at end of year		\$ 6,361,116	\$ 5,820,416

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

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR16000311

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

Opinion

We have audited the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the “Group”) as of December 31, 2016 and 2015, 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 report of other independent accountants (please refer to “other matter” section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standard Interpretations Committee (SIC) Interpretations 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 generally accepted auditing standards in the Republic of China (ROC GAAS). 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other independent accountants are 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 consolidated financial statements of the current period. 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.

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

Description

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

Hotai Finance Co., Ltd. (“Hotai Finance”), a significant subsidiary of Ho Tai Motor Co., Ltd., is primarily engaged in the installment sale and lease of various cars. In the supply chain of car selling transaction, Ho Tai Finance acts as a downstream coordinator which enhances customers’ working capital and simplifies the car delivery process. Therefore, Ho Tai Finance is responsible for the collection of accounts receivable and manages overdue accounts.

When accounts receivable are past due over 30 days, Hotai Finance Co., Ltd. already considers the collectability of those accounts in doubt. In addition to enhancing collection progress from customers, management also assesses the collectability of each individual account based on the probability of overdue accounts becoming impaired over the past 5 years. 15%~100% of provision for impairment is provided for those doubtful accounts receivable depending on the length of overdue days. As the result, evaluation of provision for impairment of accounts receivable was 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 and the calculation process in the accounting system in Hotai Finance Co., Ltd.. Sampled and tested the accuracy of accounts receivable aging report.
2. For those accounts past due over 30 days, Hotai Finance Co., Ltd. will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past 5 years and Hotai Finance Co., Ltd.’s policy.

We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past 5 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

In order to enhance customer's confidence on product quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, Ho Tai Motor Co., Ltd. provides an extra 4th year or 20 thousand-kilometer limited warranty extension free of charge for customers in Taiwan driving Toyota cars. Since the provisions for warranty involves massive historical data as well as complex calculation in respect of maintenance and repair experience and the estimation on customer return rate, it was 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. For each car model sold within 4 years and met the warranty claimed in 4th year or less than 120 thousand kilometer, obtained those cars' maintenance details and registration form, sampled and tested each car's warranty cost on maintenance records for each car model.
2. Obtained maintenance records for each car model sold within 4 years, and calculated the possibility of warranty claimed from each car model.
3. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme as aforementioned. Evaluated the reasonableness of provision for warranty by considering the customer return rate and warranty claimed cost from each car model.

Emphasis of matter - acquisition after balance sheet date

As described in Note 11, the Group acquired 99.8% interest equity of Zurich Insurance (Taiwan) Ltd. amounted to NT\$ 6,831,887 thousand in January 2017. The aforementioned acquisition did not affect our opinion on these consolidated financial statements.

Other matter – Using the work of other independent accountants

We did not audit the financial statements of investments recognized under the equity method that are included in the financial statements. Investments using equity methods amounted to NT\$ 5,189,047 and NT\$ 5,067,014 on December 31, 2016 and 2015, constituting 2.90% and

3.10% of consolidated total assets, respectively. For the year ended December 31, 2016 and 2015, the comprehensive income amounted to NT\$ 308,221 thousand and NT\$ 306,437 thousand on December 31, 2016 and 2015, constituting 2.67% and 2.83% of consolidated total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Ho Tai Motor Co., Ltd. as of and for the years ended December 31, 2016 and 2015.

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 Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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 auditor's 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.

CHIN-MU, HSIAO

CHIEN-HUNG, CHOU

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

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 report of independent accountants 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)

Assets		Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 12,024,515	7	\$ 10,406,462	7
1110	Financial assets at fair value through profit or loss	6(2)	4,714,069	2	3,805,448	2
1135	Derivative financial assets for hedging	6(4)	95,231	-	304,772	-
1150	Notes receivable, net	6(5) and 8	10,273,752	6	9,515,166	6
1160	Notes receivable - related parties, net	6(5) and 7	4,519	-	43,958	-
1170	Accounts receivable, net	6(5) and 8	80,473,408	45	72,202,377	44
1180	Accounts receivable - related parties, net	6(5) and 7	2,088,586	1	1,963,769	1
1200	Other receivables	7	1,667,324	1	1,436,765	1
130X	Inventories	6(6)	9,711,115	5	5,962,436	4
1410	Prepayments	6(7)	6,608,554	4	4,918,793	3
1470	Other current assets	8	95,022	-	99,071	-
11XX	Total current assets		<u>127,756,095</u>	<u>71</u>	<u>110,659,017</u>	<u>68</u>
Non-current assets						
1523	Available-for-sale financial assets	6(3)	827,212	-	829,558	-
1550	Investments accounted for using equity method	6(8)	13,796,874	8	13,839,712	8
1600	Property, plant and equipment	6(9) and 8	33,706,177	19	35,464,467	22
1760	Investment property, net	6(10)	912,258	1	796,718	-
1840	Deferred income tax assets	6(29)	862,027	-	979,376	1
1900	Other non-current assets	6(11)	1,055,933	1	1,063,466	1
15XX	Total non-current assets		<u>51,160,481</u>	<u>29</u>	<u>52,973,297</u>	<u>32</u>
1XXX	Total assets		<u>\$ 178,916,576</u>	<u>100</u>	<u>\$ 163,632,314</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity		Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term loans	6(12)	\$ 38,438,352	21	\$ 35,991,935	22
2110	Short-term notes and bills payable	6(13)	47,098,611	26	42,713,916	26
2125	Derivative financial liabilities for hedging	6(4)	56,072	-	16,924	-
2150	Notes payable		124,056	-	125,782	-
2170	Accounts payable		3,805,568	2	2,969,924	2
2180	Accounts payable - related parties	7	6,103,553	3	3,986,085	2
2200	Other payables	6(16) and 7	4,465,153	3	4,057,771	2
2230	Current income tax liabilities		1,384,054	1	1,299,820	1
2250	Provisions	6(18)	1,101,965	1	1,320,472	1
2300	Other current liabilities	6(14)(15)	6,321,439	4	6,145,484	4
21XX	Total current liabilities		<u>108,898,823</u>	<u>61</u>	<u>98,628,113</u>	<u>60</u>
Non-current liabilities						
2540	Long-term loans	6(15)	4,963,261	3	5,046,822	3
2550	Provisions	6(18)	1,215,372	1	1,056,213	1
2570	Deferred income tax liabilities	6(29)	1,905,414	1	1,860,088	1
2600	Other non-current liabilities	6(19)	11,354,617	6	11,264,116	7
25XX	Total non-current liabilities		<u>19,438,664</u>	<u>11</u>	<u>19,227,239</u>	<u>12</u>
2XXX	Total liabilities		<u>128,337,487</u>	<u>72</u>	<u>117,855,352</u>	<u>72</u>
Equity attributable to shareholders of the parent						
Share capital						
3110	Common stock	6(20)	5,461,792	3	5,461,792	3
Capital surplus						
3200	Capital surplus	6(21)	263,060	-	263,060	-
Retained earnings						
3310	Legal reserve	6(22)	8,262,717	5	7,285,058	5
3320	Special reserve		381,843	-	381,843	-
3350	Unappropriated earnings		28,074,357	16	24,863,218	15
Other equity						
3400	Other equity interest		662,473	-	1,109,168	1
31XX	Total equity attributable to shareholders of the parent		<u>43,106,242</u>	<u>24</u>	<u>39,364,139</u>	<u>24</u>
36XX	Non-controlling interest		<u>7,472,847</u>	<u>4</u>	<u>6,412,823</u>	<u>4</u>
3XXX	Total equity		<u>50,579,089</u>	<u>28</u>	<u>45,776,962</u>	<u>28</u>
Commitments and contingent liabilities						
		9				
Significant events after balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 178,916,576</u>	<u>100</u>	<u>\$ 163,632,314</u>	<u>100</u>

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

Items	Notes	2016		2015	
		Amount	%	Amount	%
4000 Operating revenue	6(23) and 7	\$ 172,531,900	100	\$ 160,607,628	100
5000 Operating costs	6(6)(24)(27) and 7	(149,547,920)	(87)	(139,402,826)	(87)
5900 Gross profit before realized (unrealized) gross profit on sales to associates		22,983,980	13	21,204,802	13
5910 Unrealized profit from sales		(35,418)	-	(49,409)	-
5920 Realized profit from sales		49,409	-	21,542	-
5950 Gross profit		<u>22,997,971</u>	<u>13</u>	<u>21,176,935</u>	<u>13</u>
Operating expenses	6(27)(28) and 7				
6100 Selling expenses		(8,526,203)	(5)	(8,095,785)	(5)
6200 General and administrative expenses		(4,274,924)	(2)	(3,960,610)	(2)
6000 Total operating expenses		<u>(12,801,127)</u>	<u>(7)</u>	<u>(12,056,395)</u>	<u>(7)</u>
6900 Operating profit		<u>10,196,844</u>	<u>6</u>	<u>9,120,540</u>	<u>6</u>
Non-operating income and expenses					
7010 Other income	6(25) and 7	1,880,779	1	1,854,910	1
7020 Other gains and losses	6(26)	47,094	-	(170,947)	-
7050 Finance costs	7	(44,806)	-	(61,880)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(8)	<u>2,467,474</u>	<u>1</u>	<u>2,478,143</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>4,350,541</u>	<u>2</u>	<u>4,100,226</u>	<u>2</u>
7900 Profit before income tax		14,547,385	8	13,220,766	8
7950 Income tax expense	6(29)	(2,488,486)	(1)	(2,338,273)	(1)
8200 Profit for the year		<u>\$ 12,058,899</u>	<u>7</u>	<u>\$ 10,882,493</u>	<u>7</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

Items	Notes	2016		2015	
		Amount	%	Amount	%
Other comprehensive income (loss) for the year, net of tax					
Components of other comprehensive loss that will not be reclassified to profit or loss					
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive loss	\$ 7,937	-	(\$ 64,585)	-
8310	Total components of other comprehensive loss that will not be reclassified to profit or loss	<u>7,937</u>	-	<u>(\$ 64,585)</u>	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	(350,807)	-	(29,925)	-
8362	Unrealized gain (loss) from available-for-sale financial assets	20,345	-	(93,334)	-
8363	Gain (loss) on effective portion of cash flow hedges	(11,839)	-	13,905	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method - components of other comprehensive income	(179,996)	-	106,280	-
8399	Income tax related to components of other comprehensive income	1,394	-	(2,364)	-
8360	Total components of other comprehensive loss that will be reclassified to profit or loss	<u>(520,903)</u>	-	<u>(5,438)</u>	-
8300	Other comprehensive loss for the year, net of tax	<u>(\$ 512,966)</u>	-	<u>(\$ 70,023)</u>	-
8500	Total comprehensive income for the year	<u>\$ 11,545,933</u>	<u>7</u>	<u>\$ 10,812,470</u>	<u>7</u>
Profit attributable to:					
8610	Owners of parent	\$ 10,740,039	6	\$ 9,776,591	6
8620	Non-controlling interests	1,318,860	1	1,105,902	1
		<u>\$ 12,058,899</u>	<u>7</u>	<u>\$ 10,882,493</u>	<u>7</u>
Comprehensive income attributable to:					
8710	Owners of parent	\$ 10,301,281	6	\$ 9,706,323	6
8720	Non-controlling interests	1,244,652	1	1,106,147	1
		<u>\$ 11,545,933</u>	<u>7</u>	<u>\$ 10,812,470</u>	<u>7</u>
Earnings per share (in dollars)					
9750	Basic earnings per share	\$	19.66	\$	17.90
9850	Diluted earnings per share	<u>\$</u>	<u>19.65</u>	<u>\$</u>	<u>17.89</u>

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

	Notes	Equity attributable to shareholders of the parent						Unrealized gain from available-for-sale financial assets	Gain (loss) on effective portion of cash flow hedges	Total	Non-controlling interest	Total equity
		Share capital-common stock	Capital surplus - additional paid-in capital	Retained earnings			Financial statements translation differences of foreign operations					
				Legal reserve	Special reserve	Unappropriated earnings						
<u>2015</u>												
Balance at January 1, 2015		\$ 5,461,792	\$ 263,060	\$ 6,365,384	\$ 381,843	\$ 21,805,767	\$ 390,270	\$ 734,523	(\$ 9,942)	\$ 35,392,697	\$ 5,691,111	\$ 41,083,808
Appropriation and distribution of earnings:	6(22)											
Legal reserve		-	-	919,674	-	(919,674)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(5,734,881)	-	-	-	(5,734,881)	(394,245)	(6,129,126)
Profit for the year		-	-	-	-	9,776,591	-	-	-	9,776,591	1,105,902	10,882,493
Other comprehensive income (loss) for the year		-	-	-	-	(64,585)	(17,561)	4,257	7,621	(70,268)	245	(70,023)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	9,810	9,810
Balance at December 31, 2015		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 7,285,058</u>	<u>\$ 381,843</u>	<u>\$ 24,863,218</u>	<u>\$ 372,709</u>	<u>\$ 738,780</u>	<u>(\$ 2,321)</u>	<u>\$ 39,364,139</u>	<u>\$ 6,412,823</u>	<u>\$ 45,776,962</u>
<u>2016</u>												
Balance at January 1, 2016		\$ 5,461,792	\$ 263,060	\$ 7,285,058	\$ 381,843	\$ 24,863,218	\$ 372,709	\$ 738,780	(\$ 2,321)	\$ 39,364,139	\$ 6,412,823	\$ 45,776,962
Appropriation and distribution of earnings:	6(22)											
Legal reserve		-	-	977,659	-	(977,659)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	(478,412)	(7,032,562)
Profit for the year		-	-	-	-	10,740,039	-	-	-	10,740,039	1,318,860	12,058,899
Other comprehensive income (loss) for the year		-	-	-	-	7,937	(484,291)	44,400	(6,804)	(438,758)	(74,208)	(512,966)
Changes in ownership interests in subsidiaries		-	-	-	-	(5,028)	-	-	-	(5,028)	-	(5,028)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	293,784	293,784
Balance at December 31, 2016		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 8,262,717</u>	<u>\$ 381,843</u>	<u>\$ 28,074,357</u>	<u>(\$ 111,582)</u>	<u>\$ 783,180</u>	<u>(\$ 9,125)</u>	<u>\$ 43,106,242</u>	<u>\$ 7,472,847</u>	<u>\$ 50,579,089</u>

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)

<u>Cash flows from operating activities</u>			
Consolidated profit before income tax		\$ 14,547,385	\$ 13,220,766
Adjustments to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(26)	(65,691)	68,579
Bad debts expense and financial guarantee expense		1,041,894	861,933
Depreciation	6(9)(10)(27)	8,320,543	8,928,881
Amortization	6(27)	17,216	17,702
Provision for (reversal of) loss on rental assets	6(9)	34,307	(771)
Net loss (gain) on disposal of property, plant and equipment	6(26)	(1,915)	15,557
Share of profit of associates accounted for using equity method	6(8)	(2,467,474)	(2,478,143)
Loss on disposal of investments accounted for using equity method	7	1,187	-
Interest expense		1,491,352	1,623,110
Interest income	6(23)(25)	(3,774,464)	(3,218,082)
Unrealized profit from sales		35,418	49,409
Realized profit from sales		(49,409)	(21,542)
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		(842,930)	(744,785)
Notes and accounts receivable		(10,175,448)	(10,593,981)
Inventories		898,876	4,016,097
Prepayments		(1,730,582)	(1,496,410)
Other receivables		(226,184)	81,214
Other current assets		4,049	25,231
Net changes in liabilities relating to operating activities			
Notes and accounts payable		2,957,412	3,165,026
Other payables		484,653	(1,039,572)
Other current liabilities		532,909	298,671
Other non-current liabilities		249,660	665,619
Cash generated from operations		11,282,764	13,444,509
Cash dividends received		2,423,463	2,265,502
Interest paid		(1,465,532)	(1,659,478)
Income tax paid		(2,242,925)	(1,967,806)
Interest received		3,767,783	3,217,981
Net cash provided by operating activities		<u>13,765,553</u>	<u>15,300,708</u>
<u>Cash flows from investing activities</u>			
Proceeds from capital reduction of available-for-sale financial assets		\$ 23,032	\$ -
Proceeds from disposal of investments accounted for using equity method	7	144,439	-
Decrease in cash due to changes in consolidated entities		(47,428)	-
Acquisition of property, plant and equipment	6(9)	(12,447,019)	(12,735,512)
Proceeds from disposal of property, plant and equipment		29,259	75,972
Insurance compensation from disposal of property, plant and equipment		33,597	34,132
(Increase) decrease in other assets - others		(16,015)	230,779
Acquisition of investment property	6(10)	(2,166)	(373)
Acquisition of available-for-sale financial assets		(441)	(32,526)
Repayment of investments		-	8,862
Net cash used in investing activities		<u>(12,282,742)</u>	<u>(12,418,666)</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term loans		3,050,102	(3,643,686)
Increase in short-term notes and bills payable		4,384,695	11,783,577
Proceeds from long-term loans		2,463,623	2,809,941
Repayment of long-term loans		(3,122,645)	(4,636,225)
Changes in non-controlling interests		(51,377)	(384,435)
Cash dividends paid	6(22)	(6,554,150)	(5,734,881)
Net cash used in financing activities		<u>170,248</u>	<u>194,291</u>
Net effect of changes in foreign currency exchange rates		(35,006)	41,566
Increase in cash and cash equivalents		1,618,053	3,117,899
Cash and cash equivalents at beginning of year		10,406,462	7,288,563
Cash and cash equivalents at end of year		<u>\$ 12,024,515</u>	<u>\$ 10,406,462</u>

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

Hotai Motor Co., Ltd
Table of 2016 Profits Distribution

Unit: NT\$

Item	Subtotal	Total
Unappropriated earnings from previous period		17,331,408,722
Plus: 2016 retained earnings adjustment		7,936,664
Less: Capital increase by cash subscribed not on the basis of shareholding percentage		5,027,469
Unappropriated earnings after adjustment		17,334,317,917
Profit before income tax of current year	12,238,373,222	
Less: Income tax	1,498,334,397	
Plus: Profit of current year		10,740,038,825
Less: 10% set aside for legal reserve		1,074,003,883
Distributable earnings of current period		9,666,034,942
Distributable Items		
Cash dividends (NT\$12 per share)		6,554,150,208
Unappropriated earnings at the end of period		20,446,202,651

Huang, Nan-Kuang
Chairman of the Board

Su, Chwen-Shing
Executive Officer

Chen, Ting-Ju
Chief Accounting Officer

Comparison of the Current and Amended Provisions of the Company's
Procedures for the Acquisition and Disposition of Assets

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
Article 6	<p>Acquisition and Disposition of Real Property and other Fixed Assets 6.4 Appraisal Report In acquiring or disposing real property or other fixed assets in the amount of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, except in the case of transactions with government <u>agencies</u>, engaging another party to build on its own land or leased land, or acquiring or disposing other fixed assets for business use, the Company shall obtain appraisal reports from professional appraisers prior to the transaction and comply with the following rules: (omitted)</p>	<p>Acquisition and Disposition of Real Property and other Fixed Assets 6.4 Appraisal Report In acquiring or disposing real property or other fixed assets in the amount of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, except in the case of transactions with government <u>agencies</u>, engaging another party to build on its own land or leased land, or acquiring or disposing other fixed assets for business use, the Company shall obtain appraisal reports from professional appraisers prior to the transaction and comply with the following rules: (omitted)</p>	Change of wording in Chinese in compliance with the amended Regulations Governing the Acquisition and Disposition of Assets by Public Companies.
Article 7	<p>Acquisition and Disposition of Securities Investments 7.2. Procedures to Determine Transaction Terms and Approval Limits 7.2.1. In making purchases or sales of securities that are traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial</p>	<p>Acquisition and Disposition of Securities Investments 7.2. Procedures to Determine Transaction Terms and Approval Limits 7.2.1. In making purchases or sales of securities that are traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned</p>	As the Company's business continues to develop and grow, there are an increasing number of matters which require the discussion and approval of the Board of Directors. To improve board efficiency, we revised the decision-making process and approval limit based on the principle of business materiality.

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>instruments and services companies, domestic bond funds, and domestic money market funds), the authorized department shall make such determination based on market trends. Transactions of <u>NT\$5 million</u> or less shall be approved by the chairman of the Board; <u>transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported</u> in the next Board meeting; a report on the analysis of unrealized gains or losses shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.</p> <p>7.2.2. In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the Company shall obtain the most recent financial statements of the issuing company certified or reviewed</p>	<p>domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the authorized department shall make such determination based on market trends. Transactions of <u>NT\$50 million</u> or less shall be approved by the chairman of the Board and <u>ratified</u> in the next Board meeting; a report on the analysis of unrealized gains or losses shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.</p> <p>7.2.2. In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the Company shall obtain the most recent financial statements of the issuing company certified or reviewed by an auditor prior to the transaction and consider its earnings per share in</p>	

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>by an auditor prior to the transaction and consider its earnings per share in evaluating the transaction price. Transactions of <u>NT\$5 million</u> or less shall be approved by the chairman of the Board; <u>transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported</u> in the next Board meeting; a report on the analysis of unrealized gains or losses of the long-term or short-term securities shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.</p>	<p>evaluating the transaction price. Transactions of <u>NT\$50 million</u> or less shall be approved by the chairman of the Board and <u>ratified</u> in the next Board meeting; a report on the analysis of unrealized gains or losses of the long-term or short-term securities shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.</p>	
Article 8	<p>Related Party Transactions 8.2. Evaluation and Processing In acquiring or disposing real property from or to a related party, or acquiring or disposing assets other than real property in the amount of at least 20 percent of the Company's paid-in capital, or 10 percent of the Company's total assets, or NT\$300 million or more, except in the case of sale and purchase of government bonds or bonds with repurchase or resale agreement, or subscription or <u>repurchase</u> of money market</p>	<p>Related Party Transactions 8.2. Evaluation and Processing In acquiring or disposing real property from or to a related party, or acquiring or disposing assets other than real property in the amount of at least 20 percent of the Company's paid-in capital, or 10 percent of the Company's total assets, or NT\$300 million or more, except in the case of sale and purchase of government bonds or bonds with repurchase or resale agreement, or subscription or <u>redemption</u> of domestic money market funds, the Company</p>	<p>The provision is revised in compliance with the amended Regulations Governing the Acquisition and Disposition of Assets by Public Companies to specify that "domestic money market funds" shall refer to money market funds issued by enterprises that engage in the business of securities investment trust and are approved by the</p>

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	funds <u>issued by domestic securities investment trust enterprises</u> , the Company may only proceed to enter into a transaction contract or make any payment after the following information has been submitted to the audit committee for approval and adopted by resolution of the Board of Directors: (omitted)	may only proceed to enter into a transaction contract or make any payment after the following information has been submitted to the audit committee for approval and adopted by resolution of the Board of Directors: (omitted)	FSC.
Article 9	<p>Acquisition and Disposition of Memberships and Intangible Assets</p> <p>9.4. Expert Opinion</p> <p>For the acquisition and disposition of memberships or other intangible assets with transaction value of at least 20 percent of the Company's paid-in capital, or of NT\$300 million or more, except in the case of transactions with government <u>agencies</u>, the Company shall consult with an auditor on the fairness of the transaction price prior to the date of occurrence of the event; the auditor shall follow the Statements on Auditing Standards No. 20 issued by ARDF.</p>	<p>Acquisition and Disposition of Memberships and Intangible Assets</p> <p>9.4. Expert Opinion</p> <p>For the acquisition and disposition of memberships or other intangible assets with transaction value of at least 20 percent of the Company's paid-in capital, or of NT\$300 million or more, except in the case of transactions with government <u>agencies</u>, the Company shall consult with an auditor on the fairness of the transaction price prior to the date of occurrence of the event; the auditor shall follow the Statements on Auditing Standards No. 20 issued by ARDF.</p>	See commentary of Article 6 above.

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
Article 12	<p>Mergers, Spin-offs, Acquisitions, and Transfer of Shares</p> <p>12.1. Evaluation and Processing</p> <p>12.1.1. In conducting mergers, spinoffs, acquisitions, or transfer of shares, the Company is advised to consult with lawyers, auditors, or underwriters on the estimated timeline of the legal procedures required for the transaction, and put together a team for the project to implement the steps according to the legal procedures. Prior to convening the Board meeting, the Company shall also engage auditors, lawyers, or underwriters to render opinions on the fairness of the share exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the Board of Directors for discussion and approval. <u>However, the Company is not required to obtain the aforesaid opinion on fairness of the transaction rendered by an expert in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the</u></p>	<p>Mergers, Spin-offs, Acquisitions, and Transfer of Shares</p> <p>12.1. Evaluation and Processing</p> <p>12.1.1. In conducting mergers, spinoffs, acquisitions, or transfer of shares, the Company is advised to consult with lawyers, auditors, or underwriters on the estimated timeline of the legal procedures required for the transaction, and put together a team for the project to implement the steps according to the legal procedures. Prior to convening the Board meeting, the Company shall also engage auditors, lawyers, or underwriters to render opinions on the fairness of the share exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the Board of Directors for discussion and approval.</p>	<p>The provision is revised in compliance with the amended Regulations Governing the Acquisition and Disposition of Assets by Public Companies for the following reason:</p> <p>A merger of a company's wholly owned subsidiary or a merger between two or more wholly-owned subsidiaries of the same company are considered restructuring under the same corporate group. As these mergers are presumed to not involve any agreement of share exchange ratio or distribution to the shareholders in cash or in kind, the provision is amended to exempt the company from engaging experts to render opinions on the fairness of the transaction.</p>

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<u>issued shares or authorized capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u>		

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
Article 13	<p>Information Disclosure</p> <p>13.1. Required Filings and Standards If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of the date of occurrence of the event:</p> <p>13.1.1. Acquisition or disposition of real property from or to a related party, or acquisition or disposition of assets other than real property from or to a related party where the transaction value is at least 20 percent of the paid-in capital of the Company, or 10 percent of the total assets of the Company, or NT\$300 million or more. However, this does not apply to purchase and sale of government bonds, bonds with repurchase or resale agreement, or subscription or <u>repurchase</u> of money market funds <u>issued by domestic securities investment trust enterprises</u>.</p> <p>13.1.2. Merger, spin-off, acquisition, or transfer of shares.</p> <p>13.1.3. Derivatives trading losses which</p>	<p>Information Disclosure</p> <p>13.1. Required Filings and Standards If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of the date of occurrence of the event:</p> <p>13.1.1. Acquisition or disposition of real property from or to a related party, or acquisition or disposition of assets other than real property from or to a related party where the transaction value is at least 20 percent of the paid-in capital of the Company, or 10 percent of the total assets of the Company, or NT\$300 million or more. However, this does not apply to purchase and sale of government bonds, bonds with repurchase or resale agreement, or subscription or <u>redemption</u> of domestic money market funds.</p> <p>13.1.2. Merger, spin-off, acquisition, or transfer of shares.</p> <p>13.1.3. Derivatives trading losses which exceed the limit of aggregate losses or</p>	<p>The provision is revised in compliance with the amended Regulations Governing the Acquisition and Disposition of Assets by Public Companies for the following reasons:</p> <ol style="list-style-type: none"> 1. Subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market are considered within the ordinary course of business of investment professionals. Given the simple nature of these investment activities, which is to obtain interests, the provision is amended to exempt such activities from the reporting requirement. 2. The provision is amended to specify the required time period to correct any error or omission to be consistent with the filing period stated in Article 13.3.3.

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>exceed the limit of aggregate losses or losses from individual contracts set forth in the procedures adopted by the Company.</p> <p>13.1.4. <u>A transaction where the type of assets acquired or disposed are other fixed assets for business use, the counterparty is not a related party, and the transaction value is under NT\$500 million.</u></p> <p>13.1.5. <u>The real property is acquired through an arrangement of engaging another party to build on its own land or leased land, space sharing or profit sharing under joint construction of buildings, or joint construction of buildings that are separately sold, and the amount of money the Company is prepared to invest in the transaction is less than NT\$500 million.</u></p> <p>13.1.6. Asset transactions other than set forth in <u>Article 13.1.1 to Article 13.1.5</u>, disposition of creditor's rights by financial institutions, or investments in Mainland China where the transaction value is at least 20 percent of the</p>	<p>losses from individual contracts set forth in the procedures adopted by the Company.</p> <p>13.1.4. Asset transactions other than set forth in <u>Article 13.1.1 to Article 13.1.3</u>, disposition of creditor's rights by financial institutions, or investments in Mainland China where the transaction value is at least 20 percent of the paid-in capital of the Company, or NT\$300 million or more. However, this does not apply to the following transactions:</p> <p>(1) Purchase and sale of government bonds.</p> <p>(2) Trading of securities as professionals on an overseas or domestic exchange or over-the-counter market.</p> <p>(3) Purchase and sale of bonds with repurchase or resale agreements, or subscription or <u>redemption</u> of domestic money market funds.</p> <p>(4) A transaction where the type of assets acquired or disposed are other fixed assets for business use,</p>	

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>paid-in capital of the Company, or NT\$300 million or more. However, this does not apply to the following transactions:</p> <p>(1) Purchase and sale of government bonds.</p> <p>(2) Trading of securities on an overseas or domestic exchange or over-the-counter market, <u>or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market as investment professionals.</u></p> <p>(3) Purchase and sale of bonds with repurchase or resale agreements, or subscription or <u>repurchase</u> of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>13.3 Filing Procedures</p> <p>13.3.1. If the Company, at the time of filing, makes any error or omission in an item to be filed which requires correction, all the items shall be re-filed <u>within</u></p>	<p>the counterparty is not a related party, and the transaction value is under NT\$500 million.</p> <p>(5) The real property is acquired through an arrangement of engaging another party to build on its own land or leased land, space sharing or profit sharing under joint construction of buildings, or joint construction of buildings that are separately sold, and the amount of money the Company is prepared to invest in the transaction is less than NT\$500 million.</p> <p>13.3 Filing Procedures</p> <p>13.3.1. If the Company, at the time of filing, makes any error or omission in an item to be filed which requires correction, all the items shall be re-filed.</p> <p>13.3.2. In acquiring or disposing assets, the Company shall maintain all relevant contracts, meeting minutes, logbooks, appraisal reports, and the opinions of an auditor, lawyer, or underwriter at the Company's place of business. Unless otherwise provided by the law,</p>	

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p data-bbox="405 236 943 309"><u>two days of knowledge of the error or omission.</u></p> <p data-bbox="275 336 943 711">13.3.2. In acquiring or disposing assets, the Company shall maintain all relevant contracts, meeting minutes, logbooks, appraisal reports, and the opinions of an auditor, lawyer, or underwriter at the Company's place of business. Unless otherwise provided by the law, these records shall be kept for at least five years.</p> <p data-bbox="275 738 943 1114">13.3.3. If any of the following occurs after the Company has filed the information with regard to the transaction pursuant to the preceding paragraph, the Company shall submit relevant information on the website designated by FSC within two days as of the date of occurrence of the event:</p> <p data-bbox="405 1141 943 1302">(1) There has been an amendment, termination, or rescission of the contracts executed in the original transaction.</p> <p data-bbox="405 1329 943 1398">(2) The merger, spin-off, acquisition, or transfer of shares has not been</p>	<p data-bbox="1084 236 1621 309">these records shall be kept for at least five years.</p> <p data-bbox="969 336 1637 667">13.3.3. If any of the following occurs after the Company has filed the information with regard to the transaction pursuant to the preceding paragraph, the Company shall submit relevant information on the website designated by FSC within two days as of the date of occurrence of the event:</p> <p data-bbox="1102 694 1637 855">(1) There has been an amendment, termination, or rescission of the contracts executed in the original transaction.</p> <p data-bbox="1102 882 1637 1086">(2) The merger, spin-off, acquisition, or transfer of shares has not been completed according to the proposed schedule as provided in the contracts.</p> <p data-bbox="1102 1114 1621 1187">(3) There has been a change in the original filing.</p>	

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>completed according to the proposed schedule as provided in the contracts.</p> <p>(3) There has been a change in the original filing.</p>		

HOTAI MOTOR CO., LTD.
PROCEDURES FOR THE ACQUISITION AND DISPOSITION OF ASSETS

December 29, 2016

Article 1 Objective

The Procedures are adopted for the purpose of safeguarding company assets and implementing information transparency.

Article 2 Statutory Basis

The Procedures are adopted based on Article 36-1 of the Securities and Exchange Act (the "Act").

Article 3 Scope of Assets

- 3.1. Securities, including investments in stocks, government bonds, corporate bonds, bank debentures, investment funds, depositary receipts, put and call warrants, beneficiary securities, and asset-backed securities.
- 3.2. Real property (including land, building, structure, investment property, right to use land, inventories in the construction industry) and other fixed assets.
- 3.3. Membership.
- 3.4. Intangible assets such as patent, copyright, trademark, and concession.
- 3.5. Creditor's rights of financial institutions, including accounts receivable, foreign currency buying, discount, lending, and nonperforming loans.
- 3.6. Derivatives.
- 3.7. Assets acquired or disposed in connection with mergers, spin-offs, acquisitions, or transfer of shares under the law.
- 3.8. Other significant assets.

For the purpose of the Procedures, an asset transaction is deemed "material" where the approval of the board of directors ("Board of Directors" or "Board") is required according to the Procedures or applicable laws.

Article 4 Investment Limit on Acquisition of Real Property or Securities for Non-Business Use

The Company and its subsidiaries are each subject to the following limits when acquiring the aforementioned assets:

- 4.1. The aggregate amount invested in real property for non-business use shall not

exceed 25 percent of its net worth.

- 4.2. The aggregate amount invested in short-term/long-term securities shall not exceed its net worth (this does not apply if it's due to the needs of a holding company in its own industry).
- 4.3. The aggregate amount invested in individual securities shall not exceed 30 percent of its net worth (this does not apply if it's due to the needs of a holding company in its own industry.)

Article 5

Any professional appraisers and their personnel, auditors, lawyers, and underwriters that are involved in the preparation and issuance of the appraisal reports or opinion letters of auditors, lawyers, or underwriters obtained by the Company shall not be a related party of any parties to the transaction.

Article 6 Acquisition and Disposition of Real Property and other Fixed Assets

6.1. Evaluation and Processing

In acquiring or disposing real property and other fixed assets, the Company shall comply with the fixed asset lifecycle management policy under the internal control system.

6.2. Procedures to Determine Transaction Terms and Approval Limits

6.2.1. In acquiring or disposing real property, the Board of Directors shall discuss and determine the transaction terms and price based on the current value published and assessed value of the property, as well as the prices of neighboring properties sold, and present an analysis report to the chairman of the Board. Transactions of NT\$50 million or less shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$50 million shall be approved by the Board of Directors in advance.

6.2.2. The acquisition or disposition of other fixed assets shall be determined in any of the following methods: by inquiring quotations, collecting and comparing quotations, negotiating prices, or through a bid process. Transactions of NT\$5 million or less shall follow the approval hierarchy pursuant to the authorization rules; transactions more than NT\$5 million shall be approved by the Board of Directors in advance.

6.2.3. According to the Procedures or other applicable laws, the acquisition and disposition of real property and other fixed assets by the Company shall be approved by the audit committee and the Board of Directors.

6.2.4. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the

independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

6.2.5. Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

6.3. Execution Departments

After the transaction has been approved according to Article 6.2, the acquisition or disposition of real property or other fixed assets shall be executed by the using department and the managing department.

6.4. Appraisal Report

In acquiring or disposing real property or other fixed assets in the amount of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, except in the case of transactions with government agencies, engaging another party to build on its own land or leased land, or acquiring or disposing other fixed assets for business use, the Company shall obtain appraisal reports from professional appraisers prior to the transaction and comply with the following rules:

6.4.1. If due to special circumstances, it becomes necessary to use a limited price, specific price or special price as reference base for the transaction price, the transaction shall be approved by resolution of the Board in advance; the same procedure shall apply for any future amendment to the transaction terms.

6.4.2. Appraisals by two or more professional appraisers are required if the transaction value is NT\$1 billion or more.

6.4.3. If the appraisal results by the professional appraisers indicate either of the following, except when each appraised value of the acquired assets is higher than the transaction value, or each appraised value of the disposed assets is lower than the transaction value, the Company shall engage an auditor to perform the appraisal pursuant to the Statements on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation ("ARDF") and render an opinion regarding the reason for discrepancy and adequacy of the transaction price:

(1) The discrepancy between the appraisal results and transaction value is 20 percent of the transaction value or more; or

(2) The discrepancy between the appraisal results of the two or more professional appraisers is 10 percent of the transaction value or more.

6.4.4. No more than three months shall have lapsed between the date of the report by each professional appraiser and the execution date of the transaction contracts; provided, however, an opinion may be issued by the original professional appraiser where the current value published for

the same period is applicable and no more than six months have lapsed.

- 6.4.5. If the Company acquires or disposes assets at a court auction, the Company may submit court documents in lieu of an appraisal report or auditor's opinion.

Article 7 Acquisition and Disposition of Securities Investments

7.1. Evaluation and Processing

The purchase and sale of long-term and short-term securities by the Company shall follow the investment lifecycle management policy under the internal control system.

7.2. Procedures to Determine Transaction Terms and Approval Limits

7.2.1. In making purchases or sales of securities that are traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the authorized department shall make such determination based on market trends. Transactions of NT\$50 million or less shall be approved by the chairman of the Board and ratified in the next Board meeting; a report on the analysis of unrealized gains or losses shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.

7.2.2. In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the Company shall obtain the most recent financial statements of the issuing company certified or reviewed by an auditor prior to the transaction and consider its earnings per share in evaluating the transaction price. Transactions of NT\$50 million or less shall be approved by the chairman of the Board and ratified in the next Board meeting; a report on the analysis of unrealized gains or losses of the long-term or short-term securities shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.

7.2.3. According to the Procedures or other applicable laws, acquisition and disposition of securities by the Company shall be approved by the audit committee and the Board of Directors.

7.2.4. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

7.2.5. Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

7.3. Execution Departments

After the transaction has been approved according to Article 7.2, the Company's investment in long-term/short-term securities shall be executed by the finance and accounting departments.

7.4. Expert Opinion

7.4.1. For acquisition or disposition of securities with transaction value of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, the Company shall consult with an auditor on the fairness of the transaction price prior to the date of occurrence of the event in the transaction; if the auditor decides to use the work of an auditor's expert, he/she shall comply with the Statements on Auditing Standards No. 20 issued by ARDF. However, this requirement does not apply to securities publicly quoted in an active market or where it is otherwise provided by the Financial Supervisory Commission ("FSC").

7.4.2. If the Company acquires or disposes assets at a court auction, the Company may submit court documents in lieu of an appraisal report or auditor's opinion.

Article 8 Related Party Transactions

8.1. The acquisition and disposition of assets by the Company with a related party shall follow relevant procedures in obtaining approvals and evaluating the fairness of transaction terms. Transactions in the value of 10 percent or more of the Company's total assets will also require appraisal reports from professional appraisers or auditor's opinions.

Transaction value shall be calculated according to Article 9-1 of the Procedures.

In considering whether a counterparty to the transaction is a related party, both the legal form and the substance of the relationship between the parties shall be assessed.

8.2. Evaluation and Processing

In acquiring or disposing real property from or to a related party, or acquiring or disposing assets other than real property in the amount of at least 20 percent of the Company's paid-in capital, or 10 percent of the Company's total assets, or NT\$300 million or more, except in the case of sale and purchase of government bonds or bonds with repurchase or resale agreement, or subscription or redemption of domestic money market funds, the Company may only proceed to enter into a transaction contract or make any payment after the following

information has been submitted to the audit committee for approval and adopted by resolution of the Board of Directors:

- 8.2.1. The purpose, necessity and anticipated benefits of the acquisition or disposition of assets.
- 8.2.2. The reason in selecting the related party as a counterparty to the transaction.
- 8.2.3. With respect to the acquisition of real property from a related party, relevant information provided for the evaluation on the fairness of the proposed transaction terms and conditions pursuant to Article 8.3.
- 8.2.4. The date and price at which the related party originally acquired the assets, the original counter party, and the counterparty's relationship with the Company and the related party.
- 8.2.5. Monthly cash flow forecast for the year commencing from the proposed month of contract signing, and evaluation of the necessity of the transaction and the legitimacy of fund utilization.
- 8.2.6. The appraisal reports by professional appraisers or auditor's opinion obtained according to Article 8.1.
- 8.2.7. Restrictive covenants and other important stipulations of the current transaction.

When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

8.3. Evaluate Whether Transaction Costs Are Reasonable

- 8.3.1. In acquiring real property from a related party, the Company shall evaluate whether the transaction costs are reasonable according to the following methods:
 - (1) The related party's transaction price plus interests on necessary funds and costs which are legally required to be borne by the buyer. "Interest on necessary funds" shall be calculated based on the weighted average interest rate of its borrowing during the year in which the Company purchases the real property, which shall not exceed the maximum lending interest rate for non-financial industry published by the Ministry of Finance.
 - (2) The total assessed lending value of the real property by a financial institution where the related party has created a mortgage as security for a loan from such financial institution; provided, however,

the cumulative value of the loan granted by the financial institution based on such real property shall be at least 70 percent of the total assessed lending value, and more than one year of the loan period has lapsed. However, this method shall not apply if the financial institution is a related party to either party of the transaction.

- 8.3.2. If the land and the building(s) erected thereon are combined as a single property purchased in the same transaction, the transaction costs of the land and the building(s) may be separately evaluated according to either of the methods stated in Article 8.3.1.
- 8.3.3. In acquiring real property from a related party, the Company shall evaluate the costs pursuant to Article 8.3.1 and Article 8.3.2 and engage an auditor to review and render an opinion on the evaluation.
- 8.3.4. If the evaluation results of the acquisition of real property from a related party by the Company pursuant to Article 8.3.1 and Article 8.3.2 are both lower than the transaction price, the transaction shall be processed according to Article 8.3.5. However, the above shall not apply if any of the following circumstances occur and the Company is able to present objective evidence and obtain opinions from professional real property appraiser and auditor on whether the transaction costs are reasonable:
 - (1) If the related party acquires or leases an undeveloped land for building purposes and is able to produce evidence that any of the following conditions is met:
 - (a) The total value of the undeveloped land, assessed pursuant to Article 8.3.1, and the buildings, assessed based on the construction costs and reasonable construction profits of the related party, exceeds the final transaction price. "Reasonable construction profits" shall mean the average gross operating margin of the related party's construction division in the most recent three years, or the gross margin for the construction industry most recently published by the Ministry of Finance, whichever is lower.
 - (b) Transactions completed by non-related parties within the last year which involve units on other floors of the same property or other real property in neighboring areas, where it's similar in size and the transaction terms are comparable after taking into account a reasonable price difference in floors or area according to the common practice of real property sales.
 - (c) Property leased by non-related parties within the last year involving units on other floors of the same property, where the transaction terms are comparable after taking into account a reasonable price difference in floors according to the common practice of real property sales.

- (2) The Company is able to produce evidence that the transaction terms of the real property purchased from the related party are comparable to other transactions completed within the last year by non-related parties for the acquisition of similar sized property in neighboring areas.

“Transactions completed in neighboring areas” in the preceding paragraph shall mean property that is located on the same or adjacent block which is within 500 meters, or property with similar current value published. “Similar sized” shall mean other transactions completed by non-related parties that are no less than 50 percent of the size of the property in the current transaction. “Within the last year” shall mean within one year preceding the date of the acquisition of the real property in the current transaction.

- 8.3.5. If the evaluation results of the acquisition of real property from a related party by the Company pursuant to Article 8.3.1 and Article 8.3.2 are both lower than the transaction price, the following steps shall be taken:

- (1) The difference between the real property transaction price and evaluated costs shall be set aside as special surplus pursuant to Article 41, Paragraph 1 of the Act, and may not be used for dividend distribution or issuance of bonus shares to raise additional capital. Public companies using the equity method to account for their investment in the Company shall also set aside a special surplus pursuant to Article 41, Paragraph 1 of the Act in the amount pro rata to the number of shares held in the Company.
- (2) The audit committee of the Company shall comply with Article 218 of the Company Act.
- (3) Actions taken under subparagraphs (1) and (2) herein shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and prospectus of the Company.

Subject to FSC approval, the Company and other public companies under subparagraph (1) herein that have set aside a special reserve under the preceding paragraph may not utilize the special reserve until the assets purchased at a premium have been recognized as loss due to decline in market value, or have been disposed of, or adequate compensation has been made, or the original state has been restored, or there is evidence confirming that the transaction costs are reasonable.

- 8.3.6. If the acquisition of real property from a related party meets any of the following conditions, the Company will only be subject to Article 8.1 and provisions regarding evaluation and processing under Article 8.2; provisions governing the evaluation of whether transaction costs are

reasonable under Articles 8.3.1, 8.3.2, and 8.3.3 would not apply:

- (1) The related party acquires the real property by way of succession or a gift.
- (2) More than five years have lapsed from the time when the related party entered into a contract to acquire the real property, to the contract execution of this transaction.
- (3) The Company acquires the real property as a result of entering into a joint construction contract with the related party, or engaging the related party to build on the Company's own land or leased land.

8.3.7. If the acquisition of real property by the Company from a related party indicates any transaction irregularities, it shall follow the steps provided in Article 8.3.5.

Article 9 Acquisition and Disposition of Memberships and Intangible Assets

9.1. Evaluation and Processing

In acquiring or disposing memberships or other intangible assets, the Company shall comply with the fixed assets lifecycle management policy under the internal control system.

9.2. Procedures to Determine Transaction Terms and Approval Limits

9.2.1. In acquiring or disposing memberships, the Company shall consider their fair market value in determining the transaction terms and price, and present an analysis report to the president. Transactions in the value of 1 percent of the Company's paid-in capital or less, or NT\$3 million or less shall be approved by the president and ratified at the next Board meeting; transactions over NT\$3 million shall be approved by the Board of Directors in advance.

9.2.2. In acquiring or disposing intangible assets, the Company shall consider expert evaluation or their fair market value in determining transaction terms and price, and present an analysis report to the chairman of the Board. Transactions in the value of 10 percent of the Company's paid-in capital or less, or NT\$20 million or less shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$20 million shall be approved by the Board of Directors in advance.

9.2.3. According to the Procedures or other applicable laws, the acquisition and disposition of memberships or other intangible assets by the Company shall be approved by the audit committee and the Board of Directors.

9.2.4. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision,

their opinions shall be recorded in the meeting minutes of the Board.

9.2.5. Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

9.3. Execution Departments

After the transaction has been approved according to Article 9.2, the acquisition or disposition of memberships or other intangible assets shall be executed by the using department and finance or administrative department.

9.4. Expert Opinion

For the acquisition and disposition of memberships or other intangible assets with transaction value of at least 20 percent of the Company's paid-in capital, or of NT\$300 million or more, except in the case of transactions with government agencies, the Company shall consult with an auditor on the fairness of the transaction price prior to the date of occurrence of the event; the auditor shall follow the Statements on Auditing Standards No. 20 issued by ARDF.

Article 9-1

The calculation of transaction value under Articles 6, 7, 8, and 9 shall follow Article 13 of the Procedures. "Within the last year" shall mean one year preceding the date of occurrence of the event in this transaction. Items for which an appraisal report from a professional appraiser or an auditor's opinion have been obtained need not be counted towards the transaction value; in the case of related party transactions, items which have been approved by the audit committee and adopted by the Board of Directors need not be counted towards the transaction value.

Article 10 Acquisition and Disposition of Creditor's Rights of Financial Institutions

In general, the Company does not engage in transactions involving the acquisition or disposition of creditor's rights of financial institutions. If the Company wishes to enter into such transactions in the future, the Board of Directors will adopt an evaluation and processing procedure after the proposals are submitted and approved by the Board of Directors.

Article 11 Derivatives

To trade derivatives, the Company shall follow the Company's Procedures for Engaging in the Trading of Derivatives.

Article 12 Mergers, Spin-offs, Acquisitions, and Transfer of Shares

12.1. Evaluation and Processing

- 12.1.1. In conducting mergers, spinoffs, acquisitions, or transfer of shares, the Company is advised to consult with lawyers, auditors, or underwriters on the estimated timeline of the legal procedures required for the transaction, and put together a team for the project to implement the steps according to the legal procedures. Prior to convening the Board meeting, the Company shall also engage auditors, lawyers, or underwriters to render opinions on the fairness of the share exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the Board of Directors for discussion and approval.
- 12.1.2. Prior to the shareholders meeting, the Company shall prepare disclosure documents to the shareholders and include important contractual terms and relevant matters of the merger, spin-off or acquisition. Such documents shall be delivered along with the expert opinion referred to in Article 12.1.1 and notice of meeting to the shareholders as reference in determining whether to approve the transaction. However, this provision does not apply to mergers, spin-offs, or acquisitions that are exempt from the requirement to convene a shareholders meeting to adopt a resolution. If any company involved in a merger, spin-off, or acquisition fails to convene a shareholders meeting or reach a resolution due to lack of quorum or voting rights or other legal restrictions, or the proposal is rejected by the shareholders meeting, such company shall immediately provide a public statement explaining the reasons why the transaction fails to be completed, follow-ups, and proposed date of the next shareholders meeting.

12.2. Other Important Information

- 12.2.1. Dates of the Board meeting and shareholders meeting: Unless otherwise provided by the law, or the approval of FSC has been obtained in advance due to special circumstances, any company involved in a merger, spin-off, or acquisition shall call a Board meeting and shareholders meeting on the same day as other participating companies to approve matters relevant to such merger, spin-off, or acquisition. Unless otherwise provided by the law, or the approval of FSC has been obtained in advance due to special circumstances, any company involved in a transfer of shares shall call a Board meeting on the same day as other participating companies. Any company involved in a merger, spin-off, acquisition, or transfer of shares that is listed on a stock exchange or having its shares traded on an over-the-counter market shall prepare a full written records of the following information, which shall be kept for five years for future review and audit purpose:

- (1) Basic information of personnel: including the title, name, and

identification number (or passport number in the case of a foreign national) of any person who is involved in the planning and implementation of the merger, spin-off, acquisition, or share transfer prior to the disclosure of the transaction.

- (2) Important dates: including the dates on which the letter of intent or memorandum of understanding is entered into, the financial or legal counsels are engaged, the transaction contracts are executed, and Board meetings are held.
- (3) Material documents and meeting minutes: including merger, spin-off, acquisition, or share transfer plans, letter of intent or memorandum of understanding, material contracts, and meeting minutes of the Board.

Any company involved in a merger, spin-off, acquisition, or transfer of shares that are listed on a stock exchange or having its shares traded on an over-the-counter market shall submit the information listed under subparagraphs (1) and (2) to FSC's online filing system in the required format within two days as of the date on which the resolution is passed by the Board of Directors.

Any company involved in a merger, spin-off, acquisition, or transfer of shares that is listed on a stock exchange or having shares traded on an over-the-counter market shall enter into agreements with those involved in the transaction that are not listed on a stock exchange or having shares traded on an over-the-counter market, and comply with the preceding two paragraphs.

- 12.2.2. Confidentiality: Prior to the transaction becomes public, every person that is involved in or know of the merger, spin-off, acquisition, or share transfer plan of the Company shall sign a written confidentiality agreement to undertake that he/she will not disclose details of the plan to any other party, and will not trade, in his/her own name or in a nominee account, any shares or equity securities issued by the companies involved in the merger, spin-off, acquisition, or transfer of shares.
- 12.2.3. Principles of setting and adjusting share exchange ratio and acquisition price: Prior to convening the Board meetings, each company involved in the merger, spin-off, acquisition, or transfer of shares shall engage auditors, lawyers, or underwriters to render opinions on the fairness of the exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the shareholders meeting for approval. Generally, the share exchange ratio and acquisition price may not be arbitrarily altered unless clauses specifying conditions where adjustment is permitted are included in the contracts and have been disclosed to the public.

The conditions are as follows:

- (1) Raising additional capital by way of cash, or issuance of convertible corporate bonds, bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity securities.
- (2) Actions involving the disposition of material assets of the Company which would have an effect on the financial operations of the Company.
- (3) An event such as major disaster or significant innovation in technology which has an effect on the shareholder interests or share price of the Company.
- (4) An adjustment made due to repurchase of their own shares under the law as treasury stocks by any of the companies involved in the merger, spin-off, acquisition, or transfer of shares.
- (5) Changes in the entities involved in the merger, spin-off, acquisition, or transfer of shares, or increase or decrease in number of the companies involved.
- (6) There are other conditions stipulated in the transaction contracts where changes are permitted which have been disclosed to the public.

12.2.4. Mandatory clauses in the transaction contracts: Except as otherwise provided in Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, a merger, spin-off, acquisition, or share transfer contract shall include the following:

- (1) Breach and default.
- (2) Principles of handling equity securities previously issued or bought back as treasury stocks by the dissolving company in a merger or by the spun-off company.
- (3) The number of shares participating companies are allowed to purchase as treasury stocks under the law after the record date to calculate the share exchange ratio, and the principles of handling such matters.
- (4) Manners in handling changes in entities involved in the transaction, or decrease or increase in number of entities involved.
- (5) Proposed implementation schedule and completion date.
- (6) Relevant procedures such as the proposed date to convene shareholders meeting mandated by the law if the transaction fails to be completed as scheduled.

12.2.5. Changes in the number of companies involved in the merger, spin-off,

acquisition or transfer of shares: After the merger, spin-off, acquisition, or transfer of shares becomes public, if any participating company contemplates in entering into the merger, spin-off, acquisition, or transfer of shares with another company, all the companies involved shall redo the same procedures and legal actions that have been completed under the original transaction. Except where the number of participating company decreases, and the shareholders meetings of other remaining participating companies have adopted a resolution authorizing the Board of Directors to make any changes, in which case, no additional resolutions from the shareholders meetings will be required.

- 12.2.6. If there is any non-public company involved in a merger, spin-off, acquisition, or transfer of shares, the Company shall enter into agreements with such non-public company and comply with the provisions governing the dates of the Board meeting and shareholders meeting in Article 12.2.1, confidentiality undertaking in Article 12.2.2, and changes in number of companies involved in the merger, spin-off, acquisition, or transfer of shares in Article 12.2.5.

Article 13 Information Disclosure

13.1. Required Filings and Standards

If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of the date of occurrence of the event:

- 13.1.1. Acquisition or disposition of real property from or to a related party, or acquisition or disposition of assets other than real property from or to a related party where the transaction value is at least 20 percent of the paid-in capital of the Company, or 10 percent of the total assets of the Company, or NT\$300 million or more. However, this does not apply to purchase and sale of government bonds, bonds with repurchase or resale agreement, or subscription or redemption of domestic money market funds.
- 13.1.2. Merger, spin-off, acquisition, or transfer of shares.
- 13.1.3. Derivatives trading losses which exceed the limit of aggregate losses or losses from individual contracts set forth in the procedures adopted by the Company.
- 13.1.4. Asset transactions other than set forth in Article 13.1.1 to Article 13.1.3, disposition of creditor's rights by financial institutions, or investments in Mainland China where the transaction value is at least 20 percent of the paid-in capital of the Company, or NT\$300 million or more. However, this does not apply to the following transactions:

- (1) Purchase and sale of government bonds.
- (2) Trading of securities as professionals on an overseas or domestic exchange or over-the-counter market.
- (3) Purchase and sale of bonds with repurchase or resale agreements, or subscription or redemption of domestic money market funds.
- (4) A transaction where the type of assets acquired or disposed are other fixed assets for business use, the counterparty is not a related party, and the transaction value is under NT\$500 million.
- (5) The real property is acquired through an arrangement of engaging another party to build on its own land or leased land, space sharing or profit sharing under joint construction of buildings, or joint construction of buildings that are separately sold, and the amount of money the Company is prepared to invest in the transaction is less than NT\$500 million.

13.2. The transaction value shall be calculated as follows:

- 13.2.1. The amount of each transaction.
- 13.2.2. The cumulative amount of the acquisition or disposition of the same type of assets with the same counterparty within the last year.
- 13.2.3. The cumulative amount of the acquisition or disposition of real property under the same development project within the last year. The amount of acquisition and disposition of real property shall be calculated separately.
- 13.2.4. The cumulative amount of acquisition or disposition of the same securities within the last year. The amount of acquisition and disposition of securities shall be calculated separately.

“Within the last year” shall mean one year preceding the date of occurrence of the event in the transaction. Items which have been filed pursuant to the Procedures need not be counted towards the transaction value.

13.3. Filing Procedures

- 13.3.1. If the Company, at the time of filing, makes any error or omission in an item to be filed which requires correction, all the items shall be re-filed.
- 13.3.2. In acquiring or disposing assets, the Company shall maintain all relevant contracts, meeting minutes, logbooks, appraisal reports, and the opinions of an auditor, lawyer, or underwriter at the Company's place of business. Unless otherwise provided by the law, these records shall be kept for at least five years.
- 13.3.3. If any of the following occurs after the Company has filed the information with regard to the transaction pursuant to the preceding paragraph, the Company shall submit relevant information on the website designated by FSC within two days as of the date of

occurrence of the event:

- (1) There has been an amendment, termination, or rescission of the contracts executed in the original transaction.
- (2) The merger, spin-off, acquisition, or transfer of shares has not been completed according to the proposed schedule as provided in the contracts.
- (3) There has been a change in the original filing.

Article 14

The Company's subsidiaries shall comply with the following rules:

- 14.1. The subsidiaries shall adopt their own Procedures for the Acquisition and Disposition of Assets according to the Procedures for the Acquisition and Disposition of Assets by Public Companies.
- 14.2. In acquiring or disposing assets, the subsidiaries shall also follow the rules set forth by the Company.
- 14.3. If the acquisition or disposition of assets by a non-public subsidiary is subject to the filing requirement stated in Article 13, the parent company shall file the information on behalf of such subsidiary.
- 14.4. For the purpose of the filing requirement of subsidiaries, "at least 20 percent of the paid-in capital or 10 percent of the total assets of the company" shall mean the paid-in capital or total assets of the Company (parent company).

Article 15 Disciplinary Actions

The acquisition and disposition of assets shall comply with the Procedures. In the event of a major violation, the personnel in violation shall be subject to disciplinary actions at the discretion of the Company.

Article 15-1

The calculation of 10 percent of the total assets referred to in the Procedures shall be based on the amount of total assets stated in the issuer's most recent parent company-only financial report or individual financial report prepared pursuant to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 16 Implementation and Amendments

The Procedures have been approved by the audit committee and adopted by the Board of Directors and shareholders meeting; the same approval process shall apply to any amendments to the Procedures.

When the Procedures are submitted to the Company's Board of Directors for

discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

If the Company fails to obtain the approval of a majority of all members of the audit committee as provided in the first paragraph, the Procedures may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the audit committee shall be recorded in the meeting minutes of the Board.

As referred to in the preceding paragraph, "all members of the audit committee" shall mean the incumbent members of the audit committee, and "all members of the Board" shall mean the incumbent members of the Board of Directors.

Article 17 Miscellaneous

All matters not specifically provided for in the Procedures shall be governed by the applicable laws.

Details of Concurrent Positions Held by Directors
of the Company

Title	Name	Current Positions at Hotai and Other Companies
Chairman	Chun Yung Investment Co., Ltd. represented by Huang, Nan-Kuang	Director, Nan Du Motor Co., Ltd. Director, Kau Du Automobile Co., Ltd.
Director	Toyota Motor Corporation, represented by Katsuhito Ohno	Supervisor, Hotai Finance Co., Ltd. Supervisor, Hotai Leasing Co., Ltd.
Director	Chun Yung Investment Co., Ltd. represented by Huang, Chih-Cheng	Chairman, Shanghai Ho-qian Logistics Equipment Trading Co., Ltd. Director, Shanghai Yangpu Heling Motor Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Nitto Precision Screw Industrial (Zhejiang) Co., Ltd.
Director	Jin Yuan Shan Investment Co., Ltd. represented by Su, Yi-Chung	Chairman, Kuozui Motors Co., Ltd. Chairman, Hoyu Investment Co., Ltd. Director, Hozao Enterprise Co., Ltd.
Director	Jin Yuan Shan Investment Co., Ltd. represented by Su, Chwen-Shing	Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd. Director, Shanghai Yangpu Heling Motor Service Co., Ltd.
Director	Jin Yuan Shan Investment Co., Ltd. represented by Su, Maick	Supervisor, Shanghai Yangpu Heling Motor Service Co., Ltd. Supervisor, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Shanghai Ho-qian Logistics Equipment Trading Co., Ltd.
Independent Director	Chen, Chi-Jhen	Independent Director, Hotai Insurance Co., Ltd.
Independent Director	Su, Chin-Huo	Independent Director, Hotai Insurance Co., Ltd.

Current Version of the Company's Articles of Incorporation

June 21, 2016

Section I - General Provisions

Article 1

The Company shall be incorporated, as a company limited by shares, under the Company Law 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, 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 fix 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 heating and cooling machines for Motor Vehicles and the components.
11. Import and export heating and cooling machines for Motor Vehicles and the components.
12. Manufacture, assemble, sell, import and export radio equipment.
13. G801010 Warehousing.
14. In addition to business outside an operating license other laws prohibiting or restricting the non- business.

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 the Company Law if the Company is as shareholders with limited liability.

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 Law 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 all be name-bearing share certificates signed by or sealed with the chop of at least three directors with the Company's seal, and issued in accordance with Company Law and relevant regulations of Republic of China. The Company may issue shares without printing share certificate, and should ask for preservation, combination, log in from Taiwan Depository and Clearing Corporation whilst issuing new shares.

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 - Shareholder's Meeting

Article 13

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

The meeting shall be convened by Board of Directors unless there are relevant laws, rules and regulations of the Republic of China.

Article 14

Each share of stock shall be entitled to one vote.

Article 15

Except as otherwise provided in the Company Law of the Republic of China, the chairman of shareholder's meeting should follow Article 23 of Articles of Incorporation.

Article 16

If a shareholder is unable to attend a shareholders' meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, under his/her permission for all rights at the meeting, in accordance with Article 177 of Company Law 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 Law of Republic of China.

Article 17

Except as provided in Company Law 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 shareholders 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 shareholder's meeting. Such minutes shall be signed by or sealed with the chop of the chairman of the meeting and sent to all shareholders in 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 at least a year, but if a shareholder raise a suit in accordance with Article 189 of Company Law of 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 Audit Committee

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 of Company Law of 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 have 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 management complied with the relevant regulations, Articles of Incorporation, Resolutions of shareholder's 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 shareholders' meeting to elect new Directors to fill such vacancies in 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 is the chairman of shareholders' meeting, Board of Directors' meeting. In case the chairman of the board of directors is on leave or can not 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 the board of directors shall designate one of the managing directors, or where there is no managing directors, one of the directors to act on his behalf. The Chairman of Board of Directors could also be elected by directors themselves if there is no appointed Chairman of Board of Directors. Notices of Board of Directors' meetings could be through written, fax or electronic.

Article 24

Except as otherwise provided in Company Law 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 of meetings of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director. The ones who lives in foreign country would be an exemption and shall follow Company law of Republic of China.

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 in 20 days.

The production and delivery of such minutes could be through electronic.
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 Law, Securities and Exchange Law and other relevant regulations of Republic of China.

The regulation of Audit Committee shall be specified by Board of Directors.

Article 28

Board of Directors is authorized to determine the salary for Directors, the standards of the industry shall take 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 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 managers 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

One percent of profit of the current year shall distribute to employees' remuneration; no

more than two percent of profit of the current year shall distribute to directors' remuneration (no more than three percent of profit of the current year shall distribute to directors' and supervisors' remuneration in 2015), however, the independent directors are the exception. The Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 35

The Company is in changeable industry; also the life cycle of the Company is now at saturation stage. In order to fulfill the need of shareholders' cash inflow and take the Company's funding requirement and long-term financial plan into consideration, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years under relevant regulations and set aside a legal capital reserve at 10% of the profits left over. Besides, after appropriating or returning to special capital reserve pursuant to applicable law or regulation, combine the shareholder earnings available for appropriation including accumulated un-appropriated earnings and earnings available for appropriation of this year. The ratio for dividend shall not fewer than 50% of current year earnings available for distribution; distribution of cash dividend shall not fewer 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 asking for recognition.

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, the Company Law 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 28, 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, thirty 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, and thirty-fifth Amendment on June 21, 2016.

Rules and Procedures of Shareholders' Meeting of Hotai Motor Company Limited

June 21, 2012

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 if no objection is voiced after solicitation by the chairman. If there is an objection, the resolution shall be deemed adopted as if the chairman achieve the requirement that the present shareholders deduct the objected shareholders pass majority of the votes. The above two ways shall be deemed adopted and shall have the same effect as if it was voted.

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 Shareholders' Meeting. The same applies in case of revision.

Exhibit 3

Shareholdings of Directors

As of April 24, 2017; Unit: Share

Title	Name	Authorized Representative	Shareholding	%
Chairman	Chun Yung Investment Co., Ltd.	Huang, Nan-Kuang	167,000	0.030576%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Chwen-Shing	36,071,520	6.604338%
Director	Toyota Motor Corporation	Katsuhito Ohno	44,406,112	8.130319%
Director	Chun Yung Investment Co., Ltd.	Lin, Li-Hua	167,000	0.030576%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Yann-Huei	36,071,520	6.604338%
Director	Chun Yung Investment Co., Ltd.	Huang, Chih-Cheng	167,000	0.030576%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Yi-Chung	36,071,520	6.604338%
Director	Yuan Tuo Investment Co., Ltd.	Ko, Junn-Yuan	10,779,110	1.973548%
Director	Gui Long Investment Co., Ltd.	Chang, Shih-Yieng	4,571,000	0.836905%
Director	Chun Yung Investment Co., Ltd.	Huang, Wen-Jui	167,000	0.030576%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Maick	36,071,520	6.604338%
Independent Director	Chen, Chi-Jhen	-	286	0.000052%
Independent Director	Su, Chin-Huo	-	0	0%
Independent Director	Wu, Shih-Hao	-	0	0%
Total			95,995,028	17.575739%

Paid-up capital: 5,461,791,840 (NTD) Total shares issued: 546,179,184 common shares.

According to Article 26 of 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 (4%): 21,847,167 shares

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