

Stock code: 2207



Handbook for the 2018 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.)



Hotai Motor Co., Ltd.
和泰汽車股份有限公司

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June 21, 2018

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I. Agenda of the Annual General Shareholders' Meeting

Meeting Time: 9:00 a.m., June 21, 2018 (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) 2017 Business Report
- (2) 2017 Audit Committee Report
- (3) Distribution of employee and director remuneration in 2017

3. Ratifications

- (1) Ratification of the 2017 Business Report and financial statements
- (2) Ratification of the proposed distribution of 2017 profits

4. Discussion

- (1) Proposal to amend the Procedures for the Acquisition and Disposition of Assets of the Company
- (2) Proposal to amend the Procedures for Financial Derivatives Transactions of the Company
- (3) Proposal to release directors from non-compete restrictions

5. Extemporaneous Motions

6. Adjournment

II. Reports

Item No.1 — 2017 Business Report

Explanation: Please see Appendix 1 for the Company's 2017 Business Report (pages 7-9).

Item No.2 — 2017 Audit Committee Report

Explanation:

- (1) The Company's 2017 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 10-11).

Item No.3 — Distribution of Employee and Director Remuneration in 2017

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 2017 are NT\$12,125,709 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\$ 121,257 thousand), and 2% of which has been set aside for directors' remuneration (totaling NT\$ 242,514 thousand).

III. Ratifications

Item No.1 — Ratification of the 2017 Business Report and Financial Statements (proposed by the Board of Directors)

Explanation:

- (1) The Company's 2017 Business Report and financial statements have been adopted by the resolution of the 19th term of the Board of Directors at the 16th meeting, audited and certified by PricewaterhouseCoopers Taiwan, and reviewed by the Audit Committee.
- (2) Please refer to Appendix 1 (pages 7-9) and Appendix 3 (pages 12-38) for the Company's 2017 Business Report and Financial Statements.

Resolution:

Item No.2 — Ratification of the proposed distribution of 2017 profits (proposed by the Board of Directors)

Explanation:

- (1) After setting aside 10% of the 2017 profits as legal reserve, the Company, pursuant to the resolution of the 19th term of the Board of Directors at the 16th meeting, intends to distribute cash dividends at NT\$ 12 per share.
- (2) Please refer to Appendix 4 for the Table of 2017 Profit Distribution (page 39).
- (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) Considering the business needs and current operations of the Company, 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 40-62).

Resolution:

Item No.2 — Proposal to amend the Procedures for Financial Derivatives Transactions (proposed by the Board of Directors)

Explanation:

- (1) Considering the increasing hedging needs of the Company due to its operations, the Board proposed to amend the Procedures for Financial Derivatives Transactions of the Company (the "Procedures").
- (2) Please refer to Appendix 6 for the Comparison of the Current and Amended Provisions of the Procedures, as well as the current version of the Procedures (pages 63-72).

Resolution:

Item No.3 — 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 hereby submits to the annual general meeting of the shareholders the proposal to release the directors from non-compete restrictions. Details of the Concurrent Positions Held by Directors of the Company Subject to the Release Granted can be found in Appendix 7 (pages 73).

Resolution:

V. Extemporaneous Motions

VI. Adjournment

2017 Business Report

【Market】

In 2017, the continued rising demands of semiconductors propelled the growth of high-tech product exports due to an upswing of global economy, driving economic growth in Taiwan. The annual growth rate was estimated at 2.86%, up by 1.45 percentage points compared to 1.41% in 2016. Under the continued effects of the government's commodity tax rebate policy through the scrappage program and the stimulus of automakers introducing new cars and special offers, the total sales in the automotive market reached 444,669 units, a moderate increase of 5,000 units from the previous year—the highest record in 12 years.

【Operational Review】

To keep pace with rapid changes in the market and compete with imported cars, Hotai utilized TMC resources and introduced all new car models, TOYOTA C-HR and LEXUS LC, and redesigned models, including TOYOTA SIENTA and LEXUS NX. By the joint effort of our passenger car and commercial vehicle dealers, the total number of registered vehicles last year was 134,000 units, which accounted for 30.1% of the market share, putting us at the top among automakers in Taiwan in 16 consecutive years. In particular, TOYOTA ALTIS, RAV4 and SIENTA were the top 3 bestselling models in the automotive market in 2017.

In September last year, we celebrated our 70th anniversary. It is our decades of experience in product planning, marketing and customer service which enable us to continue delivering robust performance. Despite our leading position in the automotive industry, we saw no room for complacency and chose to take a proactive approach to expand the value chain for other automotive business to drive long-term growth. After acquiring Zurich Insurance (Taiwan) Ltd. last year, we established Hotai Insurance Co., Ltd., a one-stop shop that offers premium motor insurance service to drivers. We also tapped into the online business platform by setting up Hotai Cyber Connection, incorporating existing CPO car business from @bc Car with the goal of creating the largest online car service platform in Taiwan; we invested in transport and logistics business, integrating and optimizing Group logistics and expanding business operations.

In the existing businesses of the Group, we continue to seek innovation and refinement. Seeing sharing economy as the next big business opportunity, Hotai Leasing Co., Ltd. moved along the expansion of its self-service rental business, iRent, having 250 kiosks installed and 500 vehicles in service as of the end of 2017 as the leading company in

the car sharing market. Hotai Finance Co., Ltd., a company that offers a broad range of financing service across the strait, together with Hotai Leasing Co., Ltd. remained as the top ranked companies in the automotive installment, long-term and short-term rental market. Carmax Co., Ltd., a professional car accessories provider, was joined by J-TACS to develop businesses in mainland China and continued to impress with high profits while competing for a spot in the global supply system of automakers.

Globally, China is the largest automotive market. Due to the rollback of tax cut for small-engine cars last year, the total vehicle sales growth in China slowed from 14% in 2016 to 3% in 2017, reaching 28.88 million units. Hotai's regional operational headquarters in China, Hotong Motor Investment Co., Ltd., established a sales outlets system which integrates resources and minimizes operating costs, thereby increasing the overall competitive advantages of the Group and achieving an all-time-record of revenues and profits—a NT\$565 million revenue from the sales in China that was recognized by Hotai. We have been investing our efforts in Toyota China for 20 years now since 1997. In response to the challenges arising in the automotive market, we launched an improvement program, Business Operations in China Support Project Team, which is beginning to see results. The program will provide as a foundation for Hotai as we continue to develop our business operations in China.

【Financial Performance】

In 2017, the Group's consolidated revenue totaled NT\$181.254 billion, consolidated profit before tax was NT\$14.284 billion, and consolidated net profit was NT\$11.565 billion; NT\$10.116 billion of the net profit was attributed to the parent company, Hotai Motor. The earnings per share was NT\$18.52.

【Management and Corporate Development】

Looking ahead, total vehicle sales are projected to maintain at 440,000 units as last year with the steady increase of global growth momentum and continued effects of the government's commodity tax rebate policy through the scrappage program. We are committed to delivering products and services exceeding customer expectation and dedicating our efforts to achieve new sales record in the passenger car and commercial vehicle segments for the 17th and 9th consecutive year.

We highly value customer satisfaction here at Hotai. This year, we will continue our "樂在 TOYOTA" campaign, creating a mutually supportive work environment for employees and delivering fun experiences to customers, and encourage dealers to develop personalized services that are tailored to the needs of local customers.

The automotive industry is now facing new structural changes on multiple fronts, including new technologies such as Internet of Vehicles (IoV) and self-driving, as well as the rising awareness of environmental sustainability, hence the introduction of new energy-efficient vehicles (e.g., electric vehicles and fuel cell vehicles). We are constantly monitoring future market trend in the automotive industry. By working together with TMC and our affiliates, we stand up to the challenge by delivering new products and innovative thinking and embrace changes with our capabilities to think Amazing and dream big. The next generation cloud system and big data platform that we are currently building is purposed to analyze customer needs and create a model to predict consumer spending, which will allow us to offer customers with the most satisfactory products. With Hotai's rich history and background in the automotive industry, the Group is well positioned to take advantage of new business opportunities by utilizing business synergies to secure the Group's unwavering leading position in the industry.

Huang, Nan-Kuang

Chairman of the Board

Su, Chwen-Shing

Executive Officer

Chen, Ting-Ju

Chief Accounting Officer

Audit Committee Report

To: The 2018 Annual General Shareholders' Meeting of Hotai Motor Company Limited (the "Company")

The Audit Committee recommended to the Board of Directors, and the Board of Directors has approved the Company's 2017 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for allocation of profit. PricewaterhouseCoopers Taiwan, an independent registered public accounting firm retained by the Board of Directors, has audited the 2017 Financial Statements (including the Consolidated Financial Statements) and issued an audit report with unqualified opinion based on their review.

The Audit Committee has the responsibility to oversee the Company's financial reporting process.

In auditing and certifying the Company's 2017 Financial Statements (including Consolidated Financial Statements), the external auditor discussed with the Audit Committee the following items:

1. No significant deficiencies were identified regarding the overall scope and time period covered by the audit.
2. The external auditor has provided an auditor independence statement to the Audit Committee, stating that the auditors and their audit team who are subject to independence requirement have complied with the Code of Ethics for Professional Accountants, and no other relationships existing or circumstances were found to have potentially compromised auditor independence.

The Audit Committee recommended to the Board of Directors, and the Board of Director has approved, that the Company's 2017 Financial Statements (including Consolidated Financial Statements), Business Report, and proposal for allocation of profit are in compliance with

applicable regulatory requirements. We hereby issue this report pursuant to Article 219 of the Company Act of the Republic of China.

Chen, Ji-Jhen
Chairman of the Audit Committee

March 27, 2018

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR17000291

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, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other 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, 2017 and 2016, 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 reports 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 judgement, 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.

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

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

Description

Hotai Finance Co., Ltd. (“Hotai Finance”) is an investment by Ho Tai Motor Co., Ltd. accounted for using equity method. Its primary business is providing installment sales and leases of vehicle trade and lease services. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the 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 account based on the probability of overdue accounts becoming impaired over the past years. Impairment is provided for those doubtful accounts receivable depending on the length of overdue days. The decision to increase the allowance for bad debt proportionately is based on the individual circumstances of each overdue account. The assessment involves management’s judgement on multiple factors that may affected by the customer’s payment ability, including the customer’s financial situation, payment history, and the current economic environment. Therefore, the estimation of the allowance for bad debt is identified as a key audit matter.

How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable 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 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 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

Please refer to Note 4(22) 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(14) 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, 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 agent brand sold within recent 4 years and met the warranty claimed in 4th year or less than 120 thousand kilometer, obtained those cars' maintenance details and registration forms, sampled and tested each car's warranty cost on maintenance records for each car model.
2. 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 average warranty claimed cost from each agent brand.

Significant Business Combination by Hozan Investment Co., Ltd., the investment accounted for using equity method

Description

On January 17, 2017, Hozan Investment Co., Ltd. ("Hozan Investment"), an investment of Ho Tai Motor Co., Ltd. accounted for using equity method, acquired 99.80% equity of Hotai Insurance Co., Ltd. (Hotai Insurance, formerly named as Zurich Insurance Taiwan Ltd.) for NT\$6,831,887 thousand in cash and obtained control over Hotai Insurance Co., Ltd. This investment is recognized in investments accounted for using equity method.

Hozan Investment uses the acquisition method to account for business combinations. Identified assets and assumed liabilities are measured at fair value on the acquisition date. The fair value is based on the assessments of the management, which involves the professional judgement and assumptions of outside appraisal expert. This transaction is significant during the financial reporting period, therefore it is identified as a key audit matter.

How our audit addressed the matter

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

1. Reviewed the Board of Directors' meeting minutes and equity transaction contract and confirmed that the resolved matters in the meeting are consistent with the contents of the contract, and that the appropriate accounting treatment was used in the terms of the contract related to the financial statements.
2. Evaluated the qualifications and subjectivity of the independent appraisal expert employed by management. Reviewed the original documentation and the reasonableness of the assumptions of the acquisition price allocation report made by the independent appraisal expert. The auditor and the internal appraisal expert performed the following procedures:

- (1) Reviewed the appraisal method and calculation formulas used by the independent appraisal expert.
 - (2) Evaluated the reasonableness of the appraisal method used, the underlying assumptions, the calculations of the appraisal model, and the results of such calculations.
 - (3) Evaluated the reasonableness of the fair value of identified assets, the identification of intangible assets, the valuation method and parameters used to determine the fair value of intangible assets, and the calculation of goodwill.
3. Evaluated the accuracy of the accounting treatment applied to the business combination and the presentation and disclosure of this transaction in the financial statements.

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

Description

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd., an investment by Ho Tai Motor Co., Ltd. accounted for using equity method, is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department's historical claims development trend and experience, etc. As of December 31, 2017, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT\$2,398,727 thousand and NT\$684,194 thousand, respectively.

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

How our audit addressed the matter

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

1. Understood and assessed the Company's policies, internal control, and operational procedures related to claims reserve (including those ceded) and reviewed the effectiveness of controls related to claims reserve on a sample basis.
2. Examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:
 - (1) Examined the reasonableness of the assessment method for the reserves;
 - (2) Examined the reasonableness of the expected loss ratio used by the Company;
 - (3) Established the estimates of the range for incurred but not report claims reserve. On an overall insurance-type sampling basis, compared the estimates of the range and the account balances of the reserves for any significant (or material) differences in order to confirm the reasonableness of the allowances for the reserves.

4. Examined those significant incurred but not reported cases on a sample basis and assessed the reasonableness of the estimated claims amount.

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 method amounted to NT\$ 5,605,858 thousand and NT\$ 5,189,047 thousand as at December 31, 2017 and 2016, constituting 9.18 % and 9.05% of total assets, respectively. For the years ended December 31, 2017 and 2016, the comprehensive income amounted to NT\$275,986 thousand and NT\$308,221 thousand, constituting 2.73% and 2.99% 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 judgement and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 27, 2018

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2017		December 31, 2016	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,015,645	8	\$ 6,361,116	11
1110	Financial assets at fair value through profit or loss	6(2)	-	-	2,826,648	5
1150	Notes receivable, net	6(4)	54,641	-	20,394	-
1160	Notes receivable – related parties, net	6(4) and 7	33,478	-	4,519	-
1170	Accounts receivable, net	6(4)	29,910	-	27,227	-
1180	Accounts receivable – related parties, net	6(4) and 7	2,652,296	5	1,596,484	3
1200	Other receivables	7	647,770	1	516,255	1
130X	Inventories, net	6(6)	3,179,587	5	5,492,689	9
1410	Prepayments		177,046	-	968,621	2
11XX	Total current assets		11,790,373	19	17,813,953	31
Non-current assets						
1523	Available-for-sale financial assets	6(3)	1,329,564	2	786,884	1
1550	Investments accounted for using equity method	6(7)	41,616,901	68	32,345,247	56
1600	Property, plant and equipment	6(8)	3,709,471	6	3,720,240	7
1760	Investment property, net	6(9)	2,016,290	3	2,042,490	4
1840	Deferred income tax assets	6(23)	239,353	1	251,648	-
1900	Other non-current assets		372,193	1	362,709	1
15XX	Total non-current assets		49,283,772	81	39,509,218	69
1XXX	Total assets		\$ 61,074,145	100	\$ 57,323,171	100

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity			December 31, 2017		December 31, 2016	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term loans	6(10)	\$ 809,713	1	\$ 1,193,250	2
2120	Financial liabilities at fair value through profit or loss	6(2)				
	-current		96,003	-	-	-
2170	Accounts payable	6(11)	2,687,025	4	1,989,118	3
2180	Accounts payable – related parties	6(11) and 7	5,162,981	8	5,663,866	10
2200	Other payables	6(12) and 7	2,139,638	4	1,844,853	3
2230	Current income tax liabilities	6(23)	954,677	2	868,289	2
2250	Provisions	6(14)	894,312	2	925,804	2
2300	Other current liabilities		93,103	-	152,612	-
21XX	Total current liabilities		12,837,452	21	12,637,792	22
Non-current liabilities						
2550	Provisions	6(14)	731,877	1	815,525	2
2570	Deferred income tax liabilities	6(23)	845,858	2	762,954	1
2600	Other non-current liabilities		3,657	-	658	-
25XX	Total non-current liabilities		1,581,392	3	1,579,137	3
2XXX	Total liabilities		14,418,844	24	14,216,929	25
Equity						
Share capital			6(15)			
3110	Common stock		5,461,792	9	5,461,792	10
Capital surplus			6(16)			
3200	Capital surplus		263,060	-	263,060	-
Retained earnings			6(17)			
3310	Legal reserve		9,336,721	15	8,262,717	14
3320	Special reserve		381,843	1	381,843	1
3350	Unappropriated earnings		30,517,783	50	28,074,357	49
Other equity						
3400	Other equity interest		694,102	1	662,473	1
3XXX	Total equity		46,655,301	76	43,106,242	75
Commitments and contingent liabilities			9			
Significant events after balance sheet date			11			
3X2X	Total liabilities and equity		\$ 61,074,145	100	\$ 57,323,171	100

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2017		2016	
		Amount	%	Amount	%
4000 Operating revenue	6(18) and 7	\$ 112,264,170	100	\$ 110,353,594	100
5000 Operating costs	6(6) and 7	(102,459,946)	(92)	(100,826,855)	(91)
5900 Gross profit before realized (unrealized) gross profit on sales to subsidiaries and associates		9,804,224	8	9,526,739	9
5910 Unrealized profit from sales		(125,117)	-	(74,663)	-
5920 Realized profit from sales		74,663	-	107,344	-
5950 Gross profit		9,753,770	8	9,559,420	9
Operating expenses	6(21)(22) and 7				
6100 Selling expenses		(1,968,592)	(2)	(2,040,010)	(2)
6200 General and administrative expenses		(1,375,795)	(1)	(1,240,018)	(1)
6000 Total operating expenses		(3,344,387)	(3)	(3,280,028)	(3)
6900 Operating profit		6,409,383	5	6,279,392	6
Non-operating income and expenses					
7010 Other income	6(19) and 7	887,275	1	882,901	1
7020 Other gains and losses	6(20)	33,806	-	87,147	-
7050 Finance costs	7	(24,101)	-	(19,872)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	4,455,575	4	5,008,805	4
7000 Total non-operating income and expenses		5,352,555	5	5,958,981	5
7900 Profit before income tax		11,761,938	10	12,238,373	11
7950 Income tax expense	6(23)	(1,646,331)	(1)	(1,498,334)	(1)
8200 Profit for the year		\$ 10,115,607	9	\$ 10,740,039	10
Other comprehensive income (loss) for the year, net of tax					
Components of other comprehensive income (loss) that may not be reclassified to profit or loss					
8330 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(\$ 44,027)	-	\$ 7,937	-
8310 Total components of other comprehensive income (loss) that may not be reclassified to profit or loss		(44,027)	-	7,937	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations		(46,672)	-	(280,197)	(1)
8362 Unrealized gain (loss) from available-for-sale financial assets	6(3)	42,680	-	20,303	-
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		35,621	-	(186,801)	-
8360 Total components of other comprehensive income (loss) that will be reclassified to profit or loss		\$ 31,629	-	(\$ 446,695)	(1)
8300 Other comprehensive loss for the year, net of tax		(\$ 12,398)	-	(\$ 438,758)	(1)
8500 Total comprehensive income for the year		\$ 10,103,209	9	\$ 10,301,281	9
Earnings per share (in dollars)	6(24)				
9750 Basic earnings per share		\$ 18.52		\$ 19.66	
9850 Diluted earnings per share		\$ 18.51		\$ 19.65	

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital – common stock	Capital surplus -additional paid-in capital	Retained earnings			Other equity			Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain (loss) from available-for-sale financial assets	Loss on effective portion of cash flow hedges	
<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(17)									
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>
<u>2017</u>										
Balance at January 1, 2017		\$ 5,461,792	\$ 263,060	\$ 8,262,717	\$ 381,843	\$ 28,074,357	(\$ 111,582)	\$ 783,180	(\$ 9,125)	\$ 43,106,242
Appropriation and distribution of earnings	6(17)									
Legal reserve		-	-	1,074,004	-	(1,074,004)	-	-	-	-
Cash dividends		-	-	-	-	(6,554,150)	-	-	-	(6,554,150)
Profit for the year		-	-	-	-	10,115,607	-	-	-	10,115,607
Other comprehensive income (loss) for the year		-	-	-	-	(44,027)	(82,657)	126,782	(12,496)	(12,398)
Balance at December 31, 2017		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 9,336,721</u>	<u>\$ 381,843</u>	<u>\$ 30,517,783</u>	<u>(\$ 194,239)</u>	<u>\$ 909,962</u>	<u>(\$ 21,621)</u>	<u>\$ 46,655,301</u>

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

HO TAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan dollars)

<u>Cash flows from operating activities</u>			
Profit before income tax		\$ 11,761,938	\$ 12,238,373
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(20)	222,651	(63,642)
Depreciation (including investment property)	6(8)(9)(21)	88,653	86,288
Net loss on disposal of property, plant and equipment	6(20)	295	40
Loss on abandonment of property, plant and equipment	6(20)	129	81
Share of profit of associates accounted for using equity method	6(7)	(4,455,575)	(5,008,805)
Dividend income		(38,912)	(36,680)
Interest expense		24,101	19,872
Interest income	6(19)	(65,529)	(74,853)
Gains on disposal of investments		-	(3)
Unrealized profit from sales		125,117	74,663
Realized profit from sales		(74,663)	(107,344)
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		2,603,997	390,190
Notes receivable		(63,206)	36,118
Accounts receivable		(1,058,495)	(143,946)
Other receivables		(131,484)	215,580
Inventories		2,313,102	(3,920,488)
Prepayments		791,474	(688,889)
Financial liabilities at fair value through profit or loss		96,003	-
Net changes in liabilities relating to operating activities			
Notes and accounts payable		197,022	2,141,717
Other payables		294,423	(276,360)
Other current liabilities		(91,001)	(187,823)
Other non-current liabilities		(80,649)	101,988
Cash generated from operations		12,459,391	4,796,077
Cash dividends received		2,247,301	2,850,080
Interest paid		(23,638)	(19,613)
Income tax paid		(1,464,744)	(1,392,435)
Interest received		65,498	74,649
Net cash provided by operating activities		13,283,808	6,308,758
<u>Cash flows from investing activities</u>			
Acquisition of available-for-sale financial assets	6(3)	(500,000)	-
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(7)	(7,130,000)	-
Acquisition of property, plant and equipment and investment property	6(8)(9)	(52,413)	(83,850)
Proceeds from disposal of property, plant and equipment		305	14
(Increase) decrease in other non-current assets		(9,484)	4,870
Net cash used in investing activities		(7,691,592)	(55,931)
<u>Cash flows from financing activities</u>			
(Decrease) increase in short-term loans		(383,537)	842,023
Cash dividends paid	6(17)	(6,554,150)	(6,554,150)
Net cash used in financing activities		(6,937,687)	(5,712,127)
(Decrease) increase in cash and cash equivalents		(1,345,471)	540,700
Cash and cash equivalents at beginning of year		6,361,116	5,820,416
Cash and cash equivalents at end of year		\$ 5,015,645	\$ 6,361,116

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

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR17000339

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, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance” 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 reports 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 judgement, 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.

The key audit matters in our audit of the consolidated financial statements of the current period are as follows:

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

Description

Please refer to Note 4(12) to the consolidated financial statements for accounting policies on provision for impairment of accounts receivable; Note 5(2) D 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 sales and leases of vehicles. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the 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 account based on the probability of overdue accounts becoming impaired over the past years. Impairment is provided for those doubtful accounts receivable depending on the length of overdue days. The decision to increase the allowance for bad debt proportionately is based on the individual circumstances of each overdue account. The assessment involves management’s judgement on multiple factors that may be affected by the customer’s payment ability, including the customer’s financial situation, payment history, and the current economic environment. Therefore, the estimation of the allowance for bad debt is identified as a key audit matter.

How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable 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 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 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

Please refer to Note 4(29) to the consolidated 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(21) 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, 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, 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 agent brand 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 forms, sampled and tested each car's warranty cost on maintenance records for each car model.
2. 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 warranty average claimed cost from each agent brand.

Significant business combination by Hozan Investment Co., Ltd., the significant subsidiary

Description

Please refer to Note 4(20) to the consolidated financial statements for the accounting policies on intangible assets, and Note 6(13) and 6(33) A for details of goodwill and business combination.

On January 17, 2017, the subsidiary of Ho Tai Motor Co., Ltd., Hozan Investment Co., Ltd. (“Hozan Investment”), acquired 99.80% equity of Hotai Insurance Co., Ltd. (“Hotai Insurance”, formerly named as Zurich Insurance Taiwan Ltd.) for \$6,831,887 thousand in cash and obtained control over Hotai Insurance Co., Ltd.

Ho Tai Motor Co., Ltd. uses the acquisition method to account for business combinations. Identified assets and assumed liabilities are measured at fair value on the acquisition date. The fair value is based on the assessments of the management, which involves the professional judgement and assumptions of outside appraisal expert. This transaction is significant during the financial reporting period, therefore it is identified as a key audit matter.

How our audit addressed the matter

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

1. Reviewed the Board of Directors’ meeting minutes and equity transaction contract and confirmed that the resolved matters in the meeting are consistent with the contents of the contract, and that the appropriate accounting treatment was used in the terms of the contract related to the financial statements.
2. Evaluated the qualifications and subjectivity of the independent appraisal expert employed by management. Reviewed the original documentation and the reasonableness of the assumptions of the acquisition price allocation report made by the independent appraisal expert. The auditor and the internal appraisal expert performed the following procedures:
 - (1) Reviewed the appraisal method and calculation formulas used by the independent appraisal expert.
 - (2) Evaluated the reasonableness of the appraisal method used, the underlying assumptions, the calculations of the appraisal model, and the results of such calculations.
 - (3) Evaluated the reasonableness of the fair value of identified assets, the identification of intangible assets, the valuation method and parameters used to determine the fair value of intangible assets, and the calculation of goodwill.

3. Evaluated the accuracy of the accounting treatment applied to the business combination and the presentation and disclosure of this transaction in the financial statements.

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

Description

Please refer to Note 4(36) to the consolidated financial statements for the accounting policies on claims reserve (including ceded claims), Note 5(2) E for uncertainty of accounting estimate and assumptions of claims reserve (including ceded claims), and Note 6(9) for details of claims reserve and ceded claims reserve.

The claims reserve (including ceded claims) of Hotai Insurance, the significant subsidiary of Ho Tai Motor Co., Ltd., is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department's historical claims development trend and experience, etc. As of December 31, 2017, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT\$2,398,727 thousand and NT\$684,194 thousand, respectively.

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

How our audit addressed the matter

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

1. Understood and assessed the Company's policies, internal control, and operational procedures related to claims reserve (including those ceded) and reviewed the effectiveness of controls related to claims reserve on a sample basis.
2. Examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:
 - (1) Examined the reasonableness of the assessment method for the reserves;
 - (2) Examined the reasonableness of the expected loss ratio used by the Company;

- (3) Established the estimates of the range for incurred but not report claims reserve. On an overall insurance-type sampling basis, compared the estimates of the range and the account balances of the reserves for any significant (or material) differences in order to confirm the reasonableness of the allowances for the reserves.
4. Examined those significant incurred but not reported cases on a sample basis and assessed the reasonableness of the estimated claims amount.

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 method amounted to NT\$ 5,605,858 thousand and NT\$ 5,189,047 thousand as at December 31, 2017 and 2016, constituting 2.71% and 2.90% of consolidated total assets, respectively. For the years ended December 31, 2017 and 2016, the comprehensive income amounted to NT\$ 275,986 thousand and NT\$ 308,221 thousand, constituting 2.39% and 2.67% of consolidated total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose reports 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, 2017 and 2016.

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” “Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance” 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 judgement 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 27, 2018

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, 2017, DECEMBER 31, 2016 AND JANUARY 1, 2016
(Expressed in thousands of New Taiwan Dollars)

Assets			Notes		December 31, 2017		(Adjusted) December 31, 2016		(Adjusted) January 1, 2016		
					Amount	%	Amount	%	Amount	%	
Current Assets											
1100	Cash and cash equivalents	6(1)	\$	15,041,676	7	\$	12,024,515	7	\$	10,406,462	6
1120	Financial assets at fair value through profit or loss-current	6(2)(6)		764,921	-		4,714,069	2		3,805,448	2
1130	Available-for-sale financial assets-current	6(3) and 8		1,616,954	1		-	-		-	-
1150	Derivative financial assets for hedging-current	6(4)		-	-		95,231	-		304,772	-
1190	Other financial assets-current	6(1) and 8		2,866,626	1		297,740	-		99,071	-
1201	Notes receivable	6(5), 7 and 8		9,396,104	5		10,278,271	6		9,559,124	6
1202	Accounts receivable	6(5), 7 and 8		98,910,479	48		82,561,994	46		74,166,146	45
1203	Other receivables	7		1,331,076	1		1,464,606	1		1,436,765	1
1270	Inventories	6(7)		7,209,935	3		9,110,354	5		5,962,436	4
1280	Prepayments	6(8)		6,678,663	3		7,469,353	4		5,822,277	4
1310	Reinsurance contract assets, net	6(9)		1,468,440	1		-	-		-	-
Total current assets				145,284,874	70		128,016,133	71		111,562,501	68
Non-current assets											
1420	Available-for-sale financial assets-non-current	6(3) and 8		5,622,117	3		827,212	-		829,558	-
1470	Investments accounted for using equity method	6(10)		14,479,827	7		13,796,874	8		13,839,712	8
1480	Other financial assets-non-current	6(1)		94,020	-		-	-		-	-
1500	Property, plant and equipment, net	6(11) and 8		34,993,759	17		33,706,177	19		35,464,467	22
1600	Investment property, net	6(12)		1,857,722	1		912,258	1		796,718	-
1700	Intangible assets, net	6(13)		1,208,992	1		-	-		-	-
1800	Deferred income tax assets, net	6(30)		999,088	-		862,027	-		979,376	1
1900	Other assets	6(14)		2,061,351	1		1,055,933	1		1,063,466	1
Total non-current assets				61,316,876	30		51,160,481	29		52,973,297	32
Total Assets			\$	206,601,750	100	\$	179,176,614	100	\$	164,535,798	100

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017, DECEMBER 31, 2016 AND JANUARY 1, 2016
(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity		Notes	December 31, 2017		(Adjusted) December 31, 2016		(Adjusted) January 1, 2016	
			Amount	%	Amount	%	Amount	%
Current Liabilities								
2110	Short-term loans	6(15)	\$ 36,744,035	18	\$ 38,438,352	21	\$ 35,991,935	22
2120	Short-term notes and bills payable	6(16)	55,091,275	27	47,098,611	26	42,713,916	26
2140	Financial liabilities at fair value through profit or loss-current	6(2)(6)	96,003	-	-	-	-	-
2150	Derivative financial liabilities for hedging-current	6(4)	403,699	-	56,072	-	16,924	-
2201	Notes payable		202,209	-	124,056	-	125,782	-
2202	Accounts payable	7	10,501,308	5	9,909,121	6	6,956,009	4
2203	Accrued expenses	6(19) and 7	4,804,814	2	3,838,227	2	3,506,304	2
2204	Other payables		1,227,628	1	1,339,748	1	1,307,922	1
2250	Commissions payable	7	276,736	-	147,977	-	147,029	-
2260	Due to reinsurance and ceding companies		278,262	-	-	-	-	-
2270	Claims payable		40,190	-	-	-	-	-
2310	Current income tax liabilities		1,646,741	1	1,384,054	1	1,299,820	1
2320	Advance receipts		1,122,815	-	1,148,985	1	990,757	-
2330	Long-term liabilities-current portion	6(17)(18)	4,471,849	2	4,338,562	2	4,914,023	3
2350	Other current liabilities	6(21)	1,273,162	1	1,335,096	1	1,561,176	1
Total current liabilities			118,180,726	57	109,158,861	61	99,531,597	60
Non-current liabilities								
2550	Long-term loans	6(18)	11,037,163	5	4,963,261	3	5,046,822	3
2600	Provisions	6(9)(21)	8,379,558	4	1,215,372	1	1,056,213	1
2620	Guarantee deposits received	6(22)	11,858,610	6	11,311,635	6	11,210,942	7
2630	Deferred income tax liabilities	6(30)	2,160,455	1	1,905,414	1	1,860,088	1
2660	Other liabilities		109,090	-	42,982	-	53,174	-
Total non-current liabilities			33,544,876	16	19,438,664	11	19,227,239	12
2XXX	Total liabilities		151,725,602	73	128,597,525	72	118,758,836	72
Equity attributable to shareholders of the parent								
Share capital		6(23)						
3110	Common stock		5,461,792	3	5,461,792	3	5,461,792	3
Capital surplus		6(24)						
3200	Capital surplus		263,060	-	263,060	-	263,060	-
Retained earnings		6(25)						
3310	Legal reserve		9,336,721	5	8,262,717	5	7,285,058	5
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		30,517,783	15	28,074,357	16	24,863,218	15
Other equity								
3400	Other equity		694,102	-	662,473	-	1,109,168	1
31XX	Total equity attributable to shareholders of the parent		46,655,301	23	43,106,242	24	39,364,139	24
32XX	Non-controlling interest		8,220,847	4	7,472,847	4	6,412,823	4
3XXX	Total equity		54,876,148	27	50,579,089	28	45,776,962	28
Significant contingent liabilities and unrecognized contract commitments		9						
Total liabilities and equity			\$ 206,601,750	100	\$ 179,176,614	100	\$ 164,535,798	100

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 DECMEBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

				(Adjusted)		
		2017		2016		
Items	Notes	Amount	%	Amount	%	
Revenues						
4010	Interest income	6(3)(26) and7	\$ 4,567,781	3	\$ 3,774,464	2
4020	Premiums revenue	6(27) and 7	3,192,344	2	-	-
4040	Reinsurance commission revenue		129,713	-	-	-
4050	Fee income		10,741	-	-	-
4060	Share of profit of associates and joint ventures accounted for using equity method	6(10)	1,556,292	1	2,467,474	2
4090	Gains on financial assets (liabilities) at fair value through profit or loss		-	-	65,691	-
4100	Realized gains on available-for-sale financial assets		189,771	-	54,451	-
4160	Net sales revenue	7				
4161	Sales revenue		159,936,986	88	158,433,005	90
4162	Sales returns		(1,489,599)	(1)	(1,126,774)	(1)
4163	Sales discounts and allowances		(3,708,783)	(2)	(3,408,838)	(2)
4170	Rental revenue		12,728,726	7	12,760,927	7
4180	Service revenue	7	1,936,992	1	2,228,305	1
4200	Gains on disposals of investments	6(2)	41,305	-	16,481	-
4210	Gains on disposals of property, plant and equipment		17,753	-	1,915	-
4230	Income from investment property	6(12) and 7	135,513	-	109,370	-
4260	Foreign exchange gains		312,734	-	-	-
4270	Other income		1,732,917	1	1,587,769	1
4280	Unrealized profit from sales		(72,738)	-	(35,418)	-
4290	Realized profit from sales		35,418	-	49,409	-
Total revenues			<u>181,253,866</u>	<u>100</u>	<u>176,978,231</u>	<u>100</u>
Expenses						
5010	Interest expense	7	(1,625,331)	(1)	(1,491,352)	(1)
5030	Underwriting expenses		(148)	-	-	-
5040	Commission expenses	7	(2,234,587)	(1)	(1,556,928)	(1)
5050	Claims payment	7	(1,308,748)	(1)	-	-
5070	Net changes in other insurance liabilities		(199,425)	-	-	-
5110	Losses on financial assets (liabilities) at fair value through profit or loss	6(2)	(220,675)	-	-	-
5190	Cost of sales	6(7)(28) and 7	(137,798,550)	(76)	(137,634,373)	(78)
5200	Cost of rental revenue		(9,536,313)	(5)	(9,823,254)	(6)
5210	Cost of services		(628,482)	(1)	(643,747)	-
5230	Operating expenses	6(28)(29)and 7				
5231	Selling expenses		(7,541,081)	(4)	(6,956,957)	(4)
5232	General and administrative expenses		(5,748,303)	(3)	(4,240,718)	(2)
5233	Research and development expenses		(56,474)	-	(46,524)	-
5270	Expenses and losses from investment property	6(12)	(26,723)	-	(9,177)	-
5290	Foreign exchange losses		-	-	(6,326)	-
5320	Other expenses		(44,984)	-	(21,490)	-
Total expenses			<u>(166,969,824)</u>	<u>(92)</u>	<u>(162,430,846)</u>	<u>(92)</u>
6100	Income before income tax from continuing operation		14,284,042	8	14,547,385	8
6200	Income tax expense	6(30)	(2,719,447)	(2)	(2,488,486)	(1)
6500	Profit for the year		\$ 11,564,595	6	\$ 12,058,899	7

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECMEBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

Items	Notes	2017		(Adjusted) 2016	
		Amount	%	Amount	%
Other comprehensive income (loss) for the year					
Components of other comprehensive income (loss) that may not be reclassified to profit or loss					
6625 Share of other comprehensive income of associates and joint ventures accounted for using equity method		(\$ 44,027)	-	\$ 7,937	-
6610 Total Components of other comprehensive income (loss) that may not be reclassified to profit or loss		(44,027)	-	7,937	-
6650 Components of other comprehensive income (loss) that will be reclassified to profit or loss					
6651 Financial statement translation differences of foreign operations		(53,096)	-	(350,807)	-
6653 Unrealized gains from available-for-sale financial assets	6(3)	42,975	-	20,345	-
6655 Loss on effective portion of cash flow hedges	6(4)	(22,335)	-	(11,839)	-
6665 Share of other comprehensive income of associates and joint ventures accounted for using equity method - components of other comprehensive income		49,040	-	(179,996)	-
6689 Income tax related to components of other comprehensive income	6(30)	2,872	-	1,394	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss		19,456	-	(520,903)	-
6600 Other comprehensive loss for the year		(\$ 24,571)	-	(\$ 512,966)	-
6700 Total comprehensive income for the year		<u>\$ 11,540,024</u>	<u>6</u>	<u>\$ 11,545,933</u>	<u>7</u>
Profit attributable to:					
6810 Owners of parent		\$ 10,115,607	5	\$ 10,740,039	6
6820 Non-controlling interests		1,448,988	1	1,318,860	1
		<u>\$ 11,564,595</u>	<u>6</u>	<u>\$ 12,058,899</u>	<u>7</u>
Comprehensive income attributable to:					
6910 Owners of parent		\$ 10,103,209	5	\$ 10,301,281	6
6920 Non-controlling interests		1,436,815	1	1,244,652	1
		<u>\$ 11,540,024</u>	<u>6</u>	<u>\$ 11,545,933</u>	<u>7</u>
Earnings per share (in dollars)					
Basic earnings per share	6(31)	\$ 18.52		\$ 19.66	
Diluted earnings per share	6(31)	\$ 18.51		\$ 19.65	

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 DECMEBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan Dollars)

		Equity attributable to shareholders of the parent										
		Retained earnings					Other equity					
	Notes	Share capital- common stock	Capital surplus – additional paid -in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain from available- for- sale financial assets	Loss on effective portion of cash flow hedges	Total	Non- controlling interests	Total equity
For the year ended December 31, 2016												
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 retained earnings:												
Legal reserve	6(25)	-	-	977,659	-	(977,659)	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(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 interests		-	-	-	-	-	-	-	-	-	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>
For the year ended December 31, 2017												
Balance at January 1, 2017		\$ 5,461,792	\$ 263,060	\$ 8,262,717	\$ 381,843	\$ 28,074,357	(\$ 111,582)	\$ 783,180	(\$ 9,125)	\$ 43,106,242	\$ 7,472,847	\$ 50,579,089
Appropriation and distribution of retained earnings:												
Legal reserve	6(25)	-	-	1,074,004	-	(1,074,004)	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	(701,014)	(7,255,164)
Profit for the year		-	-	-	-	10,115,607	-	-	-	10,115,607	1,448,988	11,564,595
Other comprehensive income (loss) for the year		-	-	-	-	(44,027)	(82,657)	126,782	(12,496)	(12,398)	(12,173)	(24,571)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	12,199	12,199
Balance at December 31, 2017		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 9,336,721</u>	<u>\$ 381,843</u>	<u>\$ 30,517,783</u>	<u>(\$ 194,239)</u>	<u>\$ 909,962</u>	<u>(\$ 21,621)</u>	<u>\$ 46,655,301</u>	<u>\$ 8,220,847</u>	<u>\$ 54,876,148</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, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)

	Notes	2017	2016
<u>Cash flows from operating activities</u>			
Consolidated profit before income tax		\$ 14,284,042	\$ 14,547,385
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)	220,675	(65,691)
Bad debts expense and financial guarantee expense		1,461,140	1,041,894
Depreciation	6(11)(12)(28)	7,847,451	8,320,543
Amortization	6(28)	62,092	17,216
Provision for loss on rental assets	6(11)	172,614	34,307
Net gain on disposal of property, plant and equipment (not including rental property)		(17,753)	(1,915)
Share of profit of associates accounted for using equity method	6(10)	(1,556,292)	(2,467,474)
Loss on disposal of investments accounted for using equity method	7	-	1,187
Interest expense		1,625,331	1,491,352
Dividend receivables		(56,590)	(54,451)
Interest income	6(26)	(4,567,781)	(3,774,464)
Unrealized profit from sales		72,738	35,418
Realized profit from sales		(35,418)	(49,409)
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		3,734,425	(842,930)
Notes and accounts receivable		(16,514,043)	(10,175,448)
Inventories		6,969,787	1,499,637
Prepayments		819,209	(1,687,897)
Other receivables		302,575	(226,184)
Reinsurance contract assets		108,853	-
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		96,003	-
Notes and accounts payable		663,550	2,957,412
Accrued expenses		846,047	409,194
Other payables		(169,277)	31,826
Commission payable		(111,157)	948
Due to reinsurance and ceding companies		192,942	-
Claims payable		(167,215)	-
Advance receipts		(56,546)	158,228
Other current liabilities		(136,935)	(226,080)
Provisions		886,247	159,159
Other liabilities		66,108	(10,192)
Cash generated from operations		17,042,822	11,123,571
Cash dividends received		1,205,181	2,477,914
Interest paid		(1,578,709)	(1,465,532)
Income tax paid		(2,340,830)	(2,242,925)
Interest received		4,575,749	3,767,783
Net cash provided by operating activities		18,904,213	13,660,811

(Continued)

	Notes	2017	2016
<u>Cash flows from investing activities</u>			
Net cash flow from acquisition of subsidiaries		(\$ 6,636,836)	\$ -
Proceeds from capital reduction of available-for-sale financial assets		-	23,032
Decrease (increase) in available-for-sale financial assets		198,223	(441)
(Decrease) increase in other financial assets		(1,216,452)	4,049
Acquisition of investments accounted for using equity method	6(10)	(330,629)	-
Acquisition of property, plant and equipment	6(11)	(13,372,411)	(12,447,019)
Proceeds from disposal of property, plant and equipment (not including rental assets)		51,916	29,259
Insurance compensation from disposal of property, plant and equipment		-	33,597
Acquisition of intangible assets	6(13)	(35,857)	-
Increase in other assets		(643,451)	(16,015)
Acquisition of investment property		-	(2,166)
Net decrease in cash due to changes in consolidated entities		-	(47,428)
Proceeds from disposal of investments accounted for using equity method		-	144,439
Net cash used in investing activities		(21,985,497)	(12,278,693)
<u>Cash flows from financing activities</u>			
Proceeds from issuing bonds	6(17)	2,800,000	-
(Decrease) increase in short-term loans		(1,269,997)	3,050,102
Increase in short-term notes and bills payable		7,992,664	4,384,695
Proceeds from long-term loans		7,700,242	2,463,623
Repayment of long-term loans		(3,293,053)	(3,122,645)
Changes in non-controlling interests		-	427,035
Repayment of bonds		(1,000,000)	-
Increase in guarantee deposits received		542,249	100,693
Cash dividends paid	6(25)	(6,554,150)	(6,554,150)
Cash dividends paid from subsidiaries to non-controlling interests		(701,014)	(478,412)
Net cash flows provided by financing activities		6,216,941	270,941
Net effect of changes in foreign currency exchange rates		(118,496)	(35,006)
Increase in cash and cash equivalents		3,017,161	1,618,053
Cash and cash equivalents at beginning of year		12,024,515	10,406,462
Cash and cash equivalents at end of year		\$ 15,041,676	\$ 12,024,515

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

Hotai Motor Co., Ltd
Table of Distribution of 2017 Profits

Unit: NT\$

Item	Subtotal	Total
Unappropriated earnings from previous period		20,446,202,651
Plus: 2017 retained earnings adjustment		44,027,050
Unappropriated earnings after adjustment		20,402,175,601
Profit before income tax of current year	11,761,937,705	
Less: Income tax	<u>1,646,331,190</u>	
Plus: Profit of current year		10,115,606,515
Less: 10% set aside for legal reserve		<u>1,011,560,652</u>
Distributable earnings of current period		9,104,045,863
Distributable Items		
Cash dividends (NT\$12 per share)		<u>6,554,150,208</u>
Unappropriated earnings at the end of period		<u><u>22,952,071,256</u></u>

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 June 22, 2017)	Commentary
Article 6	<p>Acquisition and Disposition of Real Property and other Fixed Assets</p> <p>6.2 Procedures to Determine Transaction Terms and Approval Limits</p> <p>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 <u>president</u>. Transactions of NT\$50 million or less shall be approved by the <u>president and ratified at the next Board meeting</u>; <u>transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board</u>; transactions over <u>NT\$300 million</u> shall be approved by the Board of Directors in advance.</p>	<p>Acquisition and Disposition of Real Property and other Fixed Assets</p> <p>6.2 Procedures to Determine Transaction Terms and Approval Limits</p> <p>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 <u>chairman of the Board</u>. Transactions of NT\$50 million or less shall be approved by the <u>chairman of the Board</u> and ratified at the next Board meeting; transactions over <u>NT\$50 million</u> shall be approved by the Board of Directors in advance.</p> <p>6.2.2. The acquisition or disposition of other fixed assets shall be determined in any</p>	<p>1. According to the Regulations Governing the Acquisition and Disposition of Assets by Public Companies, the acquisition and disposition of assets in the value of over NT\$300 million are required to be filed with the FSC. Therefore, the amount NT\$300 million is the "materiality" threshold.</p> <p>2. Revised according to the Board approval limits as provided in the procedures for the acquisition and disposition of assets of other listed companies.</p>

	Amended Provisions	Current Provisions (as amended on June 22, 2017)	Commentary
	<p>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 <u>NT\$50 million</u> or less shall follow the approval hierarchy pursuant to the authorization rules; <u>transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board</u>; transactions more than <u>NT\$300 million</u> shall be approved by the Board of Directors in advance.</p> <p>6.2.3. (omitted)</p> <p>6.2.4. (omitted)</p> <p>6.2.5. (omitted)</p>	<p>of the following methods: by inquiring quotations, collecting and comparing quotations, negotiating prices, or through a bid process. Transactions of <u>NT\$5 million</u> or less shall follow the approval hierarchy pursuant to the authorization rules; transactions more than <u>NT\$5 million</u> shall be approved by the Board of Directors in advance.</p> <p>6.2.3. (omitted)</p> <p>6.2.4. (omitted)</p> <p>6.2.5. (omitted)</p>	
Article 7	<p>Acquisition and Disposition of Securities Investments</p> <p>7.2. Procedures to Determine Transaction Terms and Approval Limits</p> <p>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</p> <p>7.2. Procedures to Determine Transaction Terms and Approval Limits</p> <p>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>Considering that acquisition and disposition of securities are closely related to the development of future strategies of the Company, it is recommended that the Company maintains current policies.</p>

	Amended Provisions	Current Provisions (as amended on June 22, 2017)	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\$50 million</u> or less shall be approved by the chairman of the Board; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported 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>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; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported 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</p>	

	Amended Provisions	Current Provisions (as amended on June 22, 2017)	Commentary
	<p>by an auditor prior to the transaction and consider its earnings per share in evaluating the transaction price. Transactions of <u>NT\$50 million</u> or less shall be approved by the chairman of the Board; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported 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>7.2.3. (omitted)</p> <p>7.2.4. (omitted)</p> <p>7.2.5. (omitted)</p>	<p>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; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported 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>7.2.3. (omitted)</p> <p>7.2.4. (omitted)</p> <p>7.2.5. (omitted)</p>	
Article 9	<p>Acquisition and Disposition of Memberships and Intangible Assets</p> <p>9.2. Procedures to Determine Transaction Terms and Approval Limits</p> <p>9.2.1. In acquiring or disposing memberships, the Company shall consider their fair market value in determining the transaction terms and price, and</p>	<p>Acquisition and Disposition of Memberships and Intangible Assets</p> <p>9.2. Procedures to Determine Transaction Terms and Approval Limits</p> <p>9.2.1. In acquiring or disposing memberships, the Company shall consider their fair market value in determining the transaction terms and price, and</p>	<p>1. According to the Regulations Governing the Acquisition and Disposition of Assets by Public Companies, the acquisition and disposition of assets in the value of over NT\$300 million are required to be filed with the FSC.</p>

	Amended Provisions	Current Provisions (as amended on June 22, 2017)	Commentary
	<p>present an analysis report to the <u>chairman of the Board</u>. Transactions in the value of 1 percent of the Company's paid-in capital or less, or NT\$50 million or less shall be approved by the <u>chairman of the Board</u> and ratified at the next Board meeting; transactions over <u>NT\$50 million</u> shall be approved by the Board of Directors in advance.</p> <p>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 <u>president</u>. Transactions in the value of 10 percent of the Company's paid-in capital or less, or NT\$50 million or less shall be approved by the <u>president</u>; transactions over <u>NT\$50 million but less than NT\$300 million</u> shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over <u>NT\$300 million</u> shall be approved by the Board of Directors in advance.</p>	<p>present an analysis report to the <u>president</u>. Transactions in the value of 1 percent of the Company's paid-in capital or less, or <u>NT\$3 million</u> or less shall be approved by the <u>president</u> and ratified at the next Board meeting; transactions over <u>NT\$3 million</u> shall be approved by the Board of Directors in advance.</p> <p>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 <u>chairman of the Board</u>. Transactions in the value of 10 percent of the Company's paid-in capital or less, <u>or NT\$20 million</u> or less shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over <u>NT\$20 million</u> shall be approved by the Board of Directors in advance.</p> <p>9.2.3. (omitted)</p> <p>9.2.4. (omitted)</p> <p>9.2.5. (omitted)</p>	<p>Therefore, the amount NT\$300 million is the "materiality" threshold.</p> <p>2. Revised according to the Board approval limits as provided in the procedures for the acquisition and disposition of assets of other listed companies.</p>

	Amended Provisions	Current Provisions (as amended on June 22, 2017)	Commentary
	9.2.3. (omitted) 9.2.4. (omitted) 9.2.5. (omitted)		

HOTAI MOTOR CO., LTD.
PROCEDURES FOR THE ACQUISITION AND DISPOSITION OF ASSETS
(Current Version)

June 22, 2017

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\$5 million or less shall be approved by the chairman of the Board; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported 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\$5 million or less shall be approved by the chairman of the Board; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported 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 repurchase of money market funds issued by domestic securities investment trust enterprises, 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. 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 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.

- 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 repurchase of money market funds issued by domestic securities investment trust enterprises.
- 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. 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.

13.1.5. 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.

13.1.6. Asset transactions other than set forth in Article 13.1.1 to Article 13.1.5, 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, 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.

(3) Purchase and sale of bonds with repurchase or resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

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 within two days of knowledge of the error or omission.

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.

Comparison of the Current and Amended Provisions of the Company's Procedures for Financial Derivatives Transactions

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary																														
Article 2	Principles and Guidelines 2.3. Authorization and Delegation 2.3.1. Financial and Accounting Division (4) Approval authority of financial derivatives (a) Currency forwards for hedging purposes:	Principles and Guidelines 2.3. Authorization and Delegation 2.3.1. Financial and Accounting Division (4) Approval authority of financial derivatives (a) Currency forwards for hedging purposes:	1. Currency forwards are used to hedge against risks associated with vehicle imports in the ordinary course of business. 2. The delegated authority per transaction and the delegated authority of net cumulative position are amended to accommodate the future increase of hedging needs as the volumes of imported vehicles continue to grow.																														
	<table><tr><th>Approval Authority</th><th>Delegated Authority Per Transaction</th><th>Delegated Authority of Net Cumulative Position</th></tr><tr><td><u>Head of the Corporate Planning Group</u></td><td>Up to <u>US\$15 million</u></td><td>Up to <u>US\$350 million</u></td></tr><tr><td>President</td><td><u>Above US\$15 million and up to US\$25 million</u></td><td><u>Above US\$350 million and up to US\$450 million</u></td></tr><tr><td>Chairman</td><td><u>Above US\$25 million and up to US\$35 million</u></td><td><u>Above US\$450 million and up to US\$500 million</u></td></tr><tr><td>Board of Directors</td><td>Above <u>US\$35 million</u></td><td>Above <u>US\$500 million</u></td></tr></table>	Approval Authority		Delegated Authority Per Transaction	Delegated Authority of Net Cumulative Position	<u>Head of the Corporate Planning Group</u>	Up to <u>US\$15 million</u>	Up to <u>US\$350 million</u>	President	<u>Above US\$15 million and up to US\$25 million</u>	<u>Above US\$350 million and up to US\$450 million</u>	Chairman	<u>Above US\$25 million and up to US\$35 million</u>	<u>Above US\$450 million and up to US\$500 million</u>	Board of Directors	Above <u>US\$35 million</u>	Above <u>US\$500 million</u>	<table><tr><th>Approval Authority</th><th>Delegated Authority Per Transaction</th><th>Delegated Authority of Net Cumulative Position</th></tr><tr><td><u>Chief Financial Officer</u></td><td>Up to <u>US\$10 million</u></td><td>Up to <u>US\$240 million</u> or less</td></tr><tr><td>President</td><td>Up to <u>US\$20 million</u></td><td>Up to <u>US\$300 million</u></td></tr><tr><td>Chairman</td><td>Up to <u>US\$30 million</u></td><td>Up to <u>US\$350 million</u></td></tr><tr><td>Board of Directors</td><td>Above <u>US\$30 million</u></td><td>Above <u>US\$350 million</u></td></tr></table>	Approval Authority	Delegated Authority Per Transaction	Delegated Authority of Net Cumulative Position	<u>Chief Financial Officer</u>	Up to <u>US\$10 million</u>	Up to <u>US\$240 million</u> or less	President	Up to <u>US\$20 million</u>	Up to <u>US\$300 million</u>	Chairman	Up to <u>US\$30 million</u>	Up to <u>US\$350 million</u>	Board of Directors	Above <u>US\$30 million</u>	Above <u>US\$350 million</u>
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			(d) (omitted) (e) (omitted)	
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HOTAI MOTOR CO., LTD.
PROCEDURES FOR FINANCIAL DERIVATIVES TRANSACTIONS
(Current Version)

December 29, 2016

Article 1

The Procedures are adopted pursuant to Article 11 of the Procedures for the Acquisition and Disposition of Assets of Hotai Motor Co., Ltd. (the "Company").

Article 2 Principles and Guidelines

2.1. Types of Derivatives

- 2.1.1. Financial derivatives herein are defined as contracts that derive their value from the performance of an underlying asset, interest rate, foreign exchange rate, index or other interest (including forwards, options, futures, leverage margins, swaps, and various combinations thereof).

"Forwards" as defined herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease agreements and long-term procurement/distribution contracts.

- 2.1.2. The Procedures shall apply to transactions involving bond margins, but do not apply to bonds with repurchase agreements.

2.2. Management and Hedging Strategies

- 2.2.1. Financial derivatives are used by the Company for the purpose of hedging. The Company shall select derivatives mainly to hedge risks associated with its business operations, and as a general rule, take an offsetting position (i.e., in the receipts and disbursements of foreign currencies) by investing in currencies consistent with the Company's foreign exchange needs arising from actual import and export transactions in order to mitigate the overall foreign exchange risks and reduce foreign exchange operating costs of the Company.
- 2.2.2. The Company may use foreign exchange hedge according to the foreign currency financing needs of overseas subsidiaries.
- 2.2.3. The Company does not engage in derivatives transactions for arbitrage.

2.3. Authorization and Delegation

- 2.3.1. Financial & Accounting Division

(1) Trading personnel

- (a) Develop strategies for the financial derivatives transactions of the Company
- (b) Collect market information, perform trend analysis and risk assessment, and formulate operating strategies as required by the Company, on which the transactions will be based once approved by the approval authority
- (c) Execute transactions in compliance with their scope of authority and Company strategies
- (d) Submit an assessment report from time to time when it has been determined that existing strategies no longer apply due to major changes in the financial market and formulate new strategies, on which the transactions will be based once approved by the President.

(2) Accounting personnel

- (a) Confirm transactions
- (b) Review whether the transactions are in compliance with the scope of authority and Company strategies
- (c) Conduct quarterly appraisals and submit appraisal reports to the President for approval
- (d) Bookkeeping
- (e) Make filings and announcements as required by the Financial Supervisory Commission ("FSC")

(3) Settlement personnel: settle transactions

(4) Approval authority of financial derivatives

- (a) Currency forwards for hedging purposes:

Approval Authority	Delegated Authority Per Transaction	Delegated Authority of Net Cumulative Position
Chief Financial Officer	Up to US\$10 million	Up to US\$240 million
President	Up to US\$20 million	Up to US\$300 million
Chairman	Up to US\$30 million	Up to US\$350 million
Board of Directors	Above US\$30 million	Above US\$350 million

- (b) Other financial derivatives for hedging purposes:

Approval Authority	Delegated Authority Per Transaction	Delegated Authority of Net Cumulative Position
Chief Financial Officer	Up to US\$3 million	Up to US\$5 million
President	Up to US\$10 million	Up to US\$20 million
Chairman	Up to US\$20 million	Up to US\$40 million
Board of Directors	Above US\$20 million	Above US\$40 million

- (c) Financial derivatives transactions of the Company which require the approval of the Board of Directors pursuant to the Procedures or other applicable laws or regulations are considered material financial derivatives transactions.
- (d) If any of the directors express dissent from the decision or issue a statement in writing when a transaction involving financial derivatives is submitted to the Company's Board of Directors for discussion, their opinions shall be recorded in the meeting minutes of the Board. The opinions of independent directors shall also be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall also be recorded in the meeting minutes of the Board.
- (e) Material financial derivatives 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 8 of the Procedures shall apply.

2.3.2. Auditing Division

The Auditing Division is responsible for determining the adequacy of internal controls applied to financial derivatives transactions, conducting audit on the Trading Division for the compliance of operating procedures, analyzing trading cycle and preparing audit reports, and shall report to the Board of Directions when material deficiencies are discovered.

2.3.3. Performance Evaluation

- (1) Using exchange rate costs entered in the books and profit and loss from financial derivatives transactions as the basis of performance evaluation.

- (2) To better understand and reflect valuation risks of the transactions, the Company adopts the quarterly valuation method to assess profit and loss.
- (3) The Financial & Accounting Division shall provide valuation of foreign exchange position, market trend and analysis to the President as the basis of management decisions and instructions.

2.3.4. Contract Price and Maximum Loss

(1) Contract price

The Financial & Accounting Division shall understand the overall position of the Company to effectively hedge transaction risks. The amount of transactions used for hedging shall not exceed the aggregate amount of actual import and export transactions of the Company and the foreign currency financing needs of overseas subsidiaries.

(2) Maximum loss

The realized and unrealized losses from an individual hedge contract shall not exceed 20% of the contract price; the realized and unrealized losses of all the hedge contracts shall not exceed 5% of the net value as shown on the Company's most recent financial statements.

Article 3 Risk Management

3.1. Credit Risk Controls

As the market is susceptible to changes of various factors, resulting in operational risks associated with the use of financial derivatives, the credit risk controls of the Company shall comply with the following rules:

- 3.1.1. Counterparties: domestically or internationally recognized financial institutions
- 3.1.2. Derivatives: derivatives offered by domestically or internationally recognized financial institutions
- 3.1.3. Transaction value: the value of open interests shall include two or more domestically or internationally recognized financial institutions

3.2. Market Risk Controls

The Company shall restrict transactions to mainly public foreign exchange markets traded by the banks, but excluding any futures market.

3.3. Liquidity Risk Controls

To ensure market liquidity, the Company shall select financial derivatives with higher liquidity (i.e., an offsetting position on the market) and

engage financial institutions having adequate information and the capability to enter into transactions in any market at any time.

3.4. Cash Flow Risk Controls

To ensure the stability of working capital turnover, the Company's financial derivatives transactions are limited to using regulatory capital as source of funds, and the operating amount shall take into consideration capital requirements projected by the cash receipts and disbursements for the next three months.

3.5. Operational Risk Controls

3.5.1. Comply with the delegated authority and operating procedures of the Company, and include such items under internal audit to mitigate operational risks.

3.5.2. Preclude trading personnel who execute transactions and operational personnel responsible for confirmation and settlement from having concurrent duties.

3.5.3. Personnel responsible for the evaluation, monitoring and control of risks shall be in different departments from individuals in the preceding paragraph, and shall report to the Board of Directors or senior management who are not responsible for trading or position decision-making.

3.5.4. Positions in financial derivatives shall be revalued at least once a week; provided, however, transactions for hedging purposes required by the Company's operations shall be revalued at least twice a month. The revaluation reports shall be submitted to senior management who is authorized by the Board of Directors.

3.6. Product Risk Controls

Internal trading personnel shall have complete understanding and adequate knowledge of financial derivatives, and require banks to fully disclose risk exposures to mitigate financial derivatives risks.

3.7. Legal Risk Controls

To control legal risks, any documents entered into with financial institutions shall first be reviewed by a foreign exchange expert and the Company's in-house or outside legal counsel before execution.

Article 4 Internal Audit System

4.1. Internal audit personnel shall examine the adequacy of internal controls of financial derivatives transactions periodically, conduct monthly audit on the Trading Division for compliance of the Procedures, analyze trading

cycle, and prepare audit reports. In the event of a major violation, internal audit personnel shall report to the audit committee in writing.

4.2. Financial derivatives transactions of the Company 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.

4.3. Internal audit personnel shall file with the FSC by submitting the audit report and annual internal audit results by the end of February of the following year and the improvements made in response to irregularities found by the end of May of the following year.

Article 5 Periodic Review

5.1. The Board of Directors shall authorize senior management to periodically monitor and review whether the financial derivatives transactions are in compliance with the transaction procedures implemented by the Company and whether the associated risks are within the risk tolerance of the Company. The authorized senior management shall report any irregularities found in the market valuation report (e.g., if positions held have exceeded the maximum loss) to the Board of Directors promptly and take countermeasures.

5.2. Positions in financial derivatives shall be revalued at least once a week; provided, however, transactions for hedging purposes required by the Company's operations shall be revalued at least twice a month. The revaluation reports shall be submitted to senior management who is authorized by the Board of Directors.

Article 6 Principles of Board Supervision and Management in Financial Derivatives Transactions

6.1. The Board of Directors shall designate senior management to oversee the monitoring and controls of financial derivatives transactions pursuant to the following management principles:

6.1.1. Periodically review whether the current risk management measures are appropriate and in compliance with the Regulations Governing the Acquisition and Disposition of Assets promulgated by the FSC and the Procedures.

6.1.2. Monitor transactions and profit and loss, take necessary countermeasures upon discovery of any irregularities and promptly report to the Board of Directors. Independent directors shall attend and submit their opinions at such Board meeting.

6.2. Periodically review whether the performance of financial derivatives of the Company are consistent with the existing business strategies and

whether the associated risks are within the risk tolerance of the Company.

6.3. Financial derivatives transactions of the Company conducted by authorized personnel according to the Procedures shall be submitted at the next Board meeting for ratification.

6.4. Logbooks shall be established for financial derivatives transactions of the Company. The logbooks shall include the types, amounts, Board approval dates of the financial derivatives transactions, as well as the revaluation and review items stated in Paragraph 2 of Article 5 and Paragraphs 1 and 2 of Article 6 of the Procedures.

Article 7 Announcement and Filing

7.1. The Company shall submit information relevant to the financial derivatives transactions of the Company and non-public domestic subsidiaries as of the end of the previous month on the website designated by the FSC in the required format by the 10th day of each month.

7.2. In the event that financial derivatives transactions of the Company and non-public domestic subsidiaries exceed the maximum loss of an individual contract or of all the contracts provided in the Procedures, the Company shall submit relevant information by type of transaction on the website designated by the FSC in the required format within two days as of the date of occurrence of the event.

7.3. 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.

Article 8

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 9

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

Details of the Concurrent Positions Held by Directors of the Company Subject to the Release Granted

Title	Name	Current Positions at Hotai and Other Companies
Director	Jin Yuan Shan Investment Co., Ltd. represented by Su, Yi- Chung	Director, Cheng Sun Trading Co., Ltd.
Director	Jin Yuan Shan Investment Co., Ltd. represented by Su, Maick	Chairman, AZUL Trading Co., Ltd.
Independent Director	Su, Chin-Huo	Director, Allied Sundar Corporation

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 23, 2018; 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	12,323,990	2.256401%
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			97,539,908	17.858591%

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: 17,477,734 shares

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