

Handbook for the 2019 Annual General Meeting of Shareholders

(For the convenience of readers and for information purposes only, this handbook have been translated into English from the original Chinese-language version prepared and used in the Republic of China. In the event of any discrepancy between the English and Chinese versions, or if there are any differences in interpretation between the two versions, the original Chinese version shall prevail.)



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I. Agenda of the Annual General Shareholders' Meeting

Meeting Time: 9:00 a.m., June 20, 2019 (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

1. Chairman's Address
2. Reports:
 - (1) 2018 Business Report
 - (2) 2018 Audit Committee Report
 - (3) 2018 Distribution of Employees and Directors Remuneration
3. Ratifications:
 - (1) Ratification of 2018 Business Report and Financial Statements
 - (2) Ratification of Proposed Distribution of 2018 Profits
4. Discussion (1)
 - (1) Proposal to cause the Company's subsidiary- Hozan Investment Co., Ltd., to waive its preemptive right in Hotai Finance Co., Ltd.'s issuance of new shares for cash capital increase.
 - (2) Proposal to amend the Company's *Articles of Incorporation*.
 - (3) Proposal to amend the Company's *Procedures for the Acquisition and Disposition of Assets*.
 - (4) Proposal to amend the Company's *Procedures for Financial Derivatives Transactions*.
 - (5) Proposal to amend the Company's *Lending Procedures*.
 - (6) Proposal to amend the Company's *Procedures for Providing Endorsement and Guarantee of Obligations*.
5. Election:
 - (1) Election of Directors
6. Discussion (2)
 - (1) Release of Director's Non-Compete Restrictions
7. Extemporary Motions
8. Adjournment

II. Reports

Item No.1 — 2018 Business Report

Explanation: Please see Appendix 1 for the Company's 2018 Business Report (Pages 10-12).

Item No.2 — 2018 Audit Committee Report

Explanation:

- (1) The Company's 2018 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 13).

Item No.3 — 2018 Distribution of Employees and Directors Remuneration

Explanation:

- (1) The distribution shall be declared and made in accordance with Article 235-1 of the *Company Act* and Article 34 of the *Company's Articles of Incorporation*.
- (2) According to Article 34 of the *Company's Articles of Incorporation*, to the extent that the Company has generated annual profits, 1% of which shall be set aside for employees remuneration and no more than 2% of which for directors 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 suffered losses, an amount of the annual profits shall first be set aside to cover such losses.
- (3) The Company's annual profits in 2018 are NT\$12,301,645,470 dollars (pre-tax profits prior to employees and directors remuneration deductions), 1% of which has been set aside for employees remuneration (totaling NT\$ 123,016,455 dollars), and 2% of which has been set aside for directors remuneration (totaling NT\$ 246,032,909 dollars).

III. Ratifications

Item No.1 — Proposed by Board of Directors: Ratification of 2018 Business Report and Financial Statements

Explanation:

- (1) The Company's 2018 Business Report and Financial Statements have been adopted by the resolution of the 19th term of the Board of Directors at the 24th meeting, audited and certified by PricewaterhouseCoopers Taiwan, and reviewed by the Audit Committee.
- (2) Please refer to Appendix 1 (Pages 10-12) and Appendix 3 (Pages 14-37) for the Company's 2018 Business Report and Financial Statements.

Resolution:

Item No.2 — Proposed by Board of Directors: Ratification of Proposed Distribution of 2018 Profits

Explanation:

- (1) After setting aside 10% of the 2018 profits as legal reserve, the Company, pursuant to the resolution of the 19th term of the Board of Directors at the 24th meeting, intends to distribute cash dividends at NT\$ 12 per share.
- (2) Please refer to Appendix 4 for the Table of 2018 Profit Distribution (Page 38).
- (3) After this proposal is approved at the Annual General Shareholders' Meeting, the Chairman of the Board will be authorized to decide on the ex-dividend and payment dates for cash dividends distribution, and other relevant matters.

Resolution:

IV. Discussion (1)

Item No.1 — Proposed by the Board of Directors: Proposal to cause the Company's subsidiary company, Hozan Investment Co., Ltd., to waive its preemptive right in Hotai Finance Co., Ltd.'s ("Hotai Finance") issuance of new shares for cash capital increase.

Explanation:

- (1) Hotai Finance, a company invested by The Company through the Company's subsidiary Hozan Investment Co., Ltd., is in the process of applying for public listing. As of today, Hozan Investment Co., Ltd. owns 65.77% of shareholding of Hotai Finance, while Toyota Financial Services Corporation owns 33.27% shareholding of Hotai Finance. In order to comply with the requirement on dispersion of share ownership pursuant to Articles 4 and 19 of the *Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings*, Hotai Finance intends to publicly offer its new issuance of shares for cash capital increase at the future listing, so as to comply with the required share ownership dispersion and cause the total shareholding of Hotai Finance as held by Hozan Investment Co., Ltd., Toyota Financial Services Corporation and all related parties, to not exceed 70% of total issued shares.
- (2) In view of the above, for the new shares to be issued for cash capital increase by Hotai Finance as initial publicly offered shares, except for the reservation of 10-15% of the new shares for the employees' subscription pursuant to Article 267 of the *Company Act*, it is intended that the existing shareholders of Hotai Finance waive their preemptive right pursuant to Article 28-1 of the *Securities and Exchange Act* and other related listing regulations for the remaining 85%-90%, so that all such amounts may be publicly offered.
- (3) The Board hereby submits the proposal to the Annual General Shareholders' Meeting for shareholders to approve and thereby cause the Company's subsidiary, Hozan Investment Co., Ltd., to waive its preemptive rights in Hotai Finance's issuance of new shares for cash capital increase.

Resolution:

Item No.2 — Proposed by the Board of Directors: Proposal to amend the Company's *Articles of Incorporation* (the "Company's *Articles*").

Explanation:

- (1) Pursuant to Article 240-5 of the *Company Act*, and in order to simplify the current procedures for distributing cash dividends, the Board proposed to amend Article 35 of the *Company's Articles* to authorize the Board of Directors to make cash payment of distributable dividends and bonuses, in whole or in part, by resolution adopted by a majority vote at a meeting attended by two-thirds of Directors, which resolution shall be reported to the shareholders' meeting.
- (2) Please refer to Appendix 5 for the Comparison of Current and Amended *Company's Articles*, as well as the current *Company's Articles* (Pages 39-47).

Resolution:

Item No.3 — Proposed by the Board of Directors: Proposal to amend the *Procedures for the Acquisition and Disposition of Assets*.

Explanation:

- (1) The Board proposed to amend the *Procedures for the Acquisition and Disposition of Assets* pursuant to the amended *Regulations Governing the Acquisition and Disposal of Assets by Public Companies*.
- (2) Please refer to Appendix 6 for the Comparison of the Current and Amended *Procedures*, as well as the current version of the *Procedures* (Pages 48-89).

Resolution:

Item No.4 — Proposed by the Board of Directors: Proposal to amend the *Procedures for Financial Derivatives Transactions*

Explanation:

- (1) The Board proposed to amend the *Procedures for Financial Derivatives Transactions* pursuant to the amended *Regulations Governing the Acquisition and Disposal of Assets by Public Companies*.
- (2) Please refer to Appendix 7 for the Comparison of the Current and Amended *Procedures*, as well as the current *Procedures* (Pages 90-98).

Resolution:

Item No.5 — Proposed by the Board of Directors: Proposal to amend the *Lending Procedures*

Explanation:

- (1) The Board proposed to amend the *Lending Procedures* pursuant to the amended *Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies*.
- (2) Please refer to Appendix 8 for the Comparison of the Current and Amended *Procedures*, as well as the current *Procedures* (Pages 99-108).

Resolution:

Item No.6 — Proposed by the Board of Directors: Proposal to amend the *Procedures for Endorsements or Guarantees for Others*

Explanation:

- (1) The Board proposed to amend the *Procedures for Providing Endorsement and Guarantee of Obligations* pursuant to the amended *Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies*.
- (2) Please refer to Appendix 9 for the Comparison of the Current and Amended *Procedures*, as well as the current *Procedures* (Pages 109-119).

Resolution:

V. Election

Item No.1 — Proposed by the Board of Directors: Election of Directors

Explanation:

- (1) The term of office of the 19th term of the Company's Board of Directors will expire on 20 June, 2019. The Board hereby submits to the Annual General Shareholders' Meeting the proposal to elect the Board of Directors.
- (2) It is intended that there be 14 Directors appointed to the 20th term of the Company's Board of Directors, 3 of which shall be Independent Directors and all of which shall serve a 3-year term, effective from 20 June, 2019 and ending on 19 June, 2022.
- (3) Pursuant to the Company's *Articles of Incorporation*, the election of Directors shall adopt a candidate nomination system. The list of nominated candidates of directors has been reviewed and approved by the Company's 19th term of Board of Directors at the 25th meeting on 8 May, 2019. The shareholders shall elect the Directors from the list of nominated candidates. Please refer to Appendix 10 for the candidates' education backgrounds, past work experiences and other details (Pages 120-130).

Resolution:

VI. Discussion (2)

Item No.1 — Proposed by the Board of Directors: Proposal to release the Directors from non-compete restrictions.

Explanation:

- (1) Where a director of the Company engages in any act specified in Article 209 of the *Company Act*, subject to the condition that the Company's interests is not harmed, it is intended that the Company shall, effective as of the date the director takes office, release the director and his or her appointed representatives from non-compete restrictions preventing such party from holding concurrent positions in a similar business, to the extent such positions are held out of business needs.
- (2) The Board hereby submits to the Annual General Shareholders' Meeting the proposal to release the Directors from non-compete restrictions. Please refer to Appendix 11 for details on the concurrent positions held by the directors relieved by such release. (Pages 131-135).

Resolution:

VII. Extemporaneous Motions

VIII. Adjournment

2018 Business Report

【Market】

In 2018, the global economy experienced a slowdown due to rising trade conflicts between the US and China and increased volatility in the global financial market; in Taiwan, export demands and consumer confidence weakened. The annual growth rate last year was estimated at 2.60%, down by 0.26 percentage points compared to 2.86% in 2017, and the total sales in the automotive market reached 435,131 units, a moderate decline from the previous year, mainly attributed to factors such as pension reform, uncertain economic outlook in Taiwan, US-China trade war, and Taiwan's stock market turbulence. From a market structure perspective, the total sales of imported cars had a significant growth from a year ago, hitting 45% of the market share.

【Operational Review】

As the government's scrappage program entered into the fourth year, the effectiveness of the program began to decline. While pension reform discouraged consumption, imported vehicles market and luxury brands continued to dominate and consumer preference shifted. To respond to these changes in the market, Hotai introduced all new car models, TOYOTA AURIS and LEXUS UX, and redesigned models, including ALPHARD, VIOS, YARIS, SIENNA, CAMRY, and LEXUS LS, ES with the support of TMC. The launches propelled our continued growth in a challenging market environment and allowed us to deliver impressive sales. By the joint effort of our passenger car and commercial vehicle dealers, the total number of registered vehicles in 2018 was 128,000 units, which accounted for 29.3% of the market share, putting us at the top among automakers in Taiwan in 17 consecutive years. In addition, LEXUS had 17,806 units of registered vehicles, ranked No. 2 among luxury car brands, and HINO's full-size commercial vehicle sales ranked top for 9 consecutive years, both were a record high in the automotive industry.

The Company has been established for over 70 years and has extensive experience in product planning, marketing and customer service. With our robust operation, diversification strategy, and proactive approach in expanding the value chain to involve other automotive related business, we are well-positioned to drive continuous growth for the Company. In addition to our core business—vehicle sales and services, we also tap into e-commerce by setting up Hotai Cyber Connection, incorporating existing CPO car business from @bc Car with the goals to reinvent the vehicle owner experience and create an online community. The Group also invests in the insurance sector: Hotai Insurance Co., Ltd., a one-stop shop that offers premium motor insurance service to drivers, is an example of industry vertical integration achieved. Apart from

the above business, we invest in the transport and logistics sector as well, integrating and optimizing Group logistics and expanding business operations.

With the rise and development of sharing economy, we are constantly seeking innovation and refinement in the existing businesses of the Group. Hotai Leasing Co., Ltd. rides along with the market trend and actively promote “Mobility-as-a-Service” and “Resource Sharing” as the leading company in the car sharing market, and set up subsidiary, Hoing Mobility Service Co., Ltd., to promote short-term rentals with the goal to become the top brand that provides real-time integrated mobility services. Hotai Finance Co., Ltd., a company with growing revenues and profits that offers a broad range of financing services across the strait, remained the top ranked company in the automotive installment market last year. Since established in 2017, Hotai Insurance Co., Ltd. (“Hotai Insurance”) has doubled its revenues. The subsidiary got on board with the government’s Innovative Policies, and introduced new motor insurance product, UBI (Usage-Based Insurance) by incorporating resources of its parent company and Hotai to satisfy consumers’ various insurance needs. These efforts give Hotai Insurance a competitive advantage in the market. Carmax Co., Ltd., a professional car accessories provider, was joined by TCD (formerly known as 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.

The Group began investing in Toyota China since 1997 and it has been more than 20 years now. In response to the challenges arising in the automotive market, we launched an improvement program, Business Operations in China Support Project Team, and continued to develop our business operations in China. Despite the spur of purchase before the tax cut rollback for small-engine cars in 2016, the economic outlook in China last year was overshadowed by the US-China trade war, resulting in a total vehicle sales growth of 28.08 million units, a 2.8% drop from the previous year. Nevertheless, through a sales outlets system, Hotai’s regional operational headquarters in China, Hotong Motor Investment Co., Ltd., was able to minimize operating costs by integrating resources, thereby increasing the overall competitive advantages of the Group. Together with the growth of Japanese vehicle sales in China, our operations in China delivered an all-time-record of revenues and profits in 2018—a NT\$819 million revenue that was recognized by Hotai.

【Financial Performance】

In 2018, the Group's consolidated revenue totaled NT\$187.028 billion, consolidated profit before tax was NT\$15.195 billion, and consolidated net profit was NT\$11.6 billion; NT\$10.026 billion of the net profit was attributed to the parent company, Hotai Motor. The earnings per share was NT\$18.36.

【Management and Corporate Development】

The global growth forecast for 2019 has been revised downward, mainly because of the escalating US-China trade tensions and uncertainty revolving around the Brexit outcome. With the declining growth of China's economy and automotive market, and subdued export trades in Taiwan, the economic outlook of 2019 is less than optimistic. With the general economic slowdown, the momentum in the automotive market is expected to soften, and total vehicle sales are projected to be around 425,000 units this year. Despite the challenges, we continue to deliver products and services that exceed customer expectation by investing in the younger demographics, diversifying our brand experience, and reinforcing Group value chain, which position us to achieve new sales record in the passenger car and commercial vehicle segments for the 18th and 10th consecutive year.

While pursuing sales growth, we also work towards enhancing the "Happiness at TOYOTA" experience. Our goal is to offer our employees and customers an enjoyable TOYOTA experience by creating a mutually supportive work environment and providing amazing service, thereby increasing greater customer satisfaction and building loyal customer base. Not only do we strive to fulfill our corporate responsibility by giving back to the society and the environment, we are also inviting the younger generations to join us on our commitment to create a sustainable business using Group resources and influence.

Driven by two major technology trends, MaaS and AI, as well as the rising awareness of environmental sustainability, the automotive industry is currently undergoing a major once-in-a-century transformation. These developments have contributed to the structural changes in the industry, including Internet-of-Vehicles (IoV) and autonomous-driving technologies, and the introduction of electric vehicles and fuel cell vehicles. Our business strategies will involve continuous partnership with TMC and our affiliates to monitor future industry trends and create group synergy. With our ability to effect changes and innovate, we can stand up to the challenges of the industry environment and become the top-tier mobility service provider, securing 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 2019 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 2018 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 2018 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 2018 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 2018 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.

The Audit Committee

Chen, Ji-Jhen

Independent Director

Wu, Shih-Hao

Independent Director

Su, Chin-Huo

Independent Director

March 26, 2019

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR18000431

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, 2018 and 2017, 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, 2018 and 2017, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and 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 leasing of vehicles. In the supply chain of motor vehicles, the role of the Company is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collections of accounts receivable and manages overdue accounts.

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

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

How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report system.
2. For those accounts past due over 30 days, the Company will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and the Company’s policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past years, and the forward-looking information, to evaluate the reasonableness of the provision for impairment policy. In addition, we sampled and examined the group category of expected credit losses report, and checked the consistency with system information.
3. Examined and evaluated samples of the categorized group report of the loss of expected credit and compared it with the system information.

Valuation of the provisions for warranty

Description

Please refer to Note 4(23) 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 warranty offered by the original manufacturer, the Company provides an additional 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. In terms of the agent brands, obtained the car sold information that met the warranty items the Company offered, cars' maintenance details as well as 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. Evaluated and recalculated the reasonableness of provision for warranty by considering the average warranty claimed cost from each agent brand.

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. (Hotai Insurance), 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, 2018, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT\$2,601,984 thousand and NT\$634,445 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 a key audit matter in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the 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 sampled and inspected the effectiveness of controls related to claims reserve on a sample basis.
2. Sampled and examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:
 - (1) Examined the reasonableness of the assessment method for the reserves;
 - (2) Examined the reasonableness of the 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\$ 5,640,440 thousand and NT\$ 5,605,858 thousand as at December 31, 2018 and 2017, constituting 8.53 % and 9.18% of total assets, respectively. For the years ended December 31, 2018 and 2017, the comprehensive income amounted to NT\$180,387 thousand and NT\$275,986 thousand, constituting 1.96% and 2.73% 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

Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan
March 26, 2019

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 131,976	-	\$ 5,015,645	8
1110	Financial assets at fair value through profit or loss – current	6(2)	4,171	-	-	-
1150	Notes receivable, net	6(4)	3,772	-	54,641	-
1160	Notes receivable – related parties, net	6(4) and 7	4,070	-	33,478	-
1170	Accounts receivable, net	6(4)	37,335	-	29,910	-
1180	Accounts receivable – related parties, net	6(4) and 7	2,651,008	4	2,652,296	5
1200	Other receivables	7	766,672	1	647,770	1
130X	Inventories, net	6(6)	5,236,340	8	3,179,587	5
1410	Prepayments		323,829	1	177,046	-
11XX	Total current assets		<u>9,159,173</u>	<u>14</u>	<u>11,790,373</u>	<u>19</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss-non-current	6(2)	500,000	1	-	-
1517	Financial assets at fair value through other comprehensive income-non-current	6(3) and 12(4)	6,563,424	10	-	-
1523	Available-for-sale financial assets-non current	12(4)	-	-	1,329,564	2
1550	Investments accounted for using equity method	6(7)	43,509,228	66	41,616,901	68
1600	Property, plant and equipment	6(8)	3,758,640	6	3,709,471	6
1760	Investment property, net	6(9)	1,989,619	3	2,016,290	3
1840	Deferred income tax assets	6(23)	255,350	-	239,353	1
1900	Other non-current assets		396,875	-	372,193	1
15XX	Total non-current assets		<u>56,973,136</u>	<u>86</u>	<u>49,283,772</u>	<u>81</u>
1XXX	Total Assets		<u>\$ 66,132,309</u>	<u>100</u>	<u>\$ 61,074,145</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and equity	Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term loans	6(10)	\$ 1,880,814	3	\$ 809,713	1
2120	Financial liabilities at fair value through profit or loss-current	6(2)	19,047	-	96,003	-
2170	Accounts payable	6(11)	2,639,209	4	2,687,025	4
2180	Accounts payable – related parties	6(11) and 7	5,663,092	8	5,162,981	8
2200	Other payables	6(12) and 7	2,637,685	4	2,139,638	4
2230	Current income tax liabilities		1,081,109	2	954,677	2
2250	Provisions-current	6(14)	921,088	1	894,312	2
2300	Other current liabilities		89,367	-	93,103	-
21XX	Total current liabilities		<u>14,931,411</u>	<u>22</u>	<u>12,837,452</u>	<u>21</u>
Non-current liabilities						
2550	Provisions-non-current	6(14)	803,369	1	731,877	1
2570	Deferred income tax liabilities	6(23)	1,061,052	2	845,858	2
2600	Other non-current liabilities		751	-	3,657	-
25XX	Total non-current liabilities		<u>1,865,172</u>	<u>3</u>	<u>1,581,392</u>	<u>3</u>
2XXX	Total liabilities		<u>16,796,583</u>	<u>25</u>	<u>14,418,844</u>	<u>24</u>
Equity						
Share capital						
3110	Common stock	6(15)	5,461,792	8	5,461,792	9
Capital surplus						
3200	Capital surplus	6(16)	292,159	-	263,060	-
Retained earnings						
3310	Legal reserve	6(17)	10,348,282	16	9,336,721	15
3320	Special reserve		381,843	1	381,843	1
3350	Unappropriated earnings		32,983,752	50	30,517,783	50
Other equity						
3400	Other equity		(132,102)	-	694,102	1
3XXX	Total equity		<u>49,335,726</u>	<u>75</u>	<u>46,655,301</u>	<u>76</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 66,132,309</u>	<u>100</u>	<u>\$ 61,074,145</u>	<u>100</u>

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2018		2017	
		Amount	%	Amount	%
4000 Operating revenue	6(18) and 7	\$ 109,034,011	100	\$ 112,264,170	100
5000 Operating costs	6(6) and 7	(99,481,045)	(91)	(102,459,946)	(92)
5900 Gross profit before realized (unrealized) gross profit on sales to subsidiaries and associates		9,552,966	9	9,804,224	8
5910 Unrealized profit from sales		(106,760)	-	(125,117)	-
5920 Realized profit from sales		125,117	-	74,663	-
5950 Gross profit		9,571,323	9	9,753,770	8
Operating expenses	6(21)(22) and 7				
6100 Selling expenses		(2,128,256)	(2)	(1,968,592)	(2)
6200 General and administrative expenses		(1,318,632)	(1)	(1,375,795)	(1)
6000 Total operating expenses		(3,446,888)	(3)	(3,344,387)	(3)
6900 Operating profit		6,124,435	6	6,409,383	5
Non-operating income and expenses					
7010 Other income	6(19) and 7	1,093,122	1	887,275	1
7020 Other gains and losses	6(20)	258,387	-	33,806	-
7050 Finance costs	7	(43,472)	-	(24,101)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	4,500,124	4	4,455,575	4
7000 Total non-operating income and expenses		5,808,161	5	5,352,555	5
7900 Profit before income tax		11,932,596	11	11,761,938	10
7950 Income tax expense	6(23)	(1,907,061)	(2)	(1,646,331)	(1)
8200 Profit for the year		\$ 10,025,535	9	\$ 10,115,607	9
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					
8316 Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 349,323)	-	\$ -	-
8330 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method		(33,771)	-	(44,027)	-
8310 Total components of other comprehensive loss that may not be reclassified to profit or loss		(383,094)	-	(44,027)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations		(92,653)	-	(46,672)	-
8362 Unrealized gain from available-for-sale financial assets	12(4)	-	-	42,680	-
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(344,312)	(1)	35,621	-
8360 Total components of other comprehensive income (loss) that will be reclassified to profit or loss		(436,965)	(1)	31,629	-
8300 Other comprehensive loss for the year, net of tax		(\$ 820,059)	(1)	(\$ 12,398)	-
8500 Total comprehensive income for the year		\$ 9,205,476	8	\$ 10,103,209	9
Earnings per share (in dollars)	6(24)				
9750 Basic earnings per share		\$ 18.36		\$ 18.52	
9850 Diluted earnings per share		\$ 18.34		\$ 18.51	

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan Dollars)

Notes	Retained earnings					Other equity						Total equity
	Share-capital common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains (loss) on financial assets at fair value through other compre- hensive income	Unrealized gain (loss) from available-for- sale financial assets	Loss on effective portion of cash flow hedges	Gain (loss) on hedging instruments		
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	
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)	
Total comprehensive income (loss)	-	-	-	-	10,071,580	(82,657)	-	126,782	(12,496)	-	10,103,209	
Appropriation and distribution of retained earnings: 6(17)												
Legal reserve	-	-	1,074,004	-	(1,074,004)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(6,554,150)	-	-	-	-	-	(6,554,150)	
Balance at December 31, 2017	\$ 5,461,792	\$ 263,060	\$ 9,336,721	\$ 381,843	\$ 30,517,783	(\$ 194,239)	\$ -	\$ 909,962	(\$ 21,621)	\$ -	\$ 46,655,301	
2018												
Balance at January 1, 2018	\$ 5,461,792	\$ 263,060	\$ 9,336,721	\$ 381,843	\$ 30,517,783	(\$ 194,239)	\$ -	\$ 909,962	(\$ 21,621)	\$ -	\$ 46,655,301	
Effects on modified retrospective adjustment	-	-	-	-	22,037	-	887,925	(909,962)	21,621	(21,621)	-	
Balance at January 1, 2018 after retrospective adjustment	5,461,792	263,060	9,336,721	381,843	30,539,820	(194,239)	887,925	-	-	(21,621)	46,655,301	
Profit for the year	-	-	-	-	10,025,535	-	-	-	-	-	10,025,535	
Other comprehensive income (loss) for the year	-	-	-	-	(15,892)	(133,744)	(651,707)	-	-	(18,716)	(820,059)	
Total comprehensive income (loss)	-	-	-	-	10,009,643	(133,744)	(651,707)	-	-	(18,716)	9,205,476	
Appropriation and distribution of retained earnings: 6(17)												
Legal reserve	-	-	1,011,561	-	(1,011,561)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(6,554,150)	-	-	-	-	-	(6,554,150)	
Changes in equity of associates and joint ventures accounted for using equity method	-	3,050	-	-	-	-	-	-	-	-	3,050	
Difference between consideration and carrying amount of subsidiaries disposed	-	26,049	-	-	-	-	-	-	-	-	26,049	
Balance at December 31, 2018	\$ 5,461,792	\$ 292,159	\$ 10,348,282	\$ 381,843	\$ 32,983,752	(\$ 327,983)	\$ 236,218	\$ -	\$ -	(\$ 40,337)	\$ 49,335,726	

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan Dollars)

	Notes	2018	2017
Cash flows from operating activities			
Profit before income tax		\$ 11,932,596	\$ 11,761,938
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(20)	(81,126)	222,651
Depreciation (including investment property)	6(8)(9)(21)	89,916	88,653
Net loss on disposal of property, plant and equipment	6(20)	162	295
Loss on abandonment of property, plant and equipment	6(20)	154	129
Share of profit of associates accounted for using equity method	6(7)	(4,500,124)	(4,455,575)
Dividend income		(134,285)	(38,912)
Interest expense		43,472	24,101
Interest income	6(19)	(85,190)	(65,529)
Gains on disposal of investments		(4,678)	-
Unrealized profit from sales		106,760	125,117
Realized profit from sales		(125,117)	(74,663)
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		4,678	2,603,997
Notes receivable		80,277	(63,206)
Accounts receivable		(6,137)	(1,058,495)
Other receivables		(77,288)	(131,484)
Inventories		(2,056,753)	2,313,102
Prepayments		(146,783)	791,474
Financial liabilities at fair value through profit or loss		-	96,003
Net changes in liabilities relating to operating activities			
Notes and accounts payable		452,295	197,022
Other payables		497,368	294,423
Other current liabilities		(10,486)	(91,001)
Other non-current liabilities		1,534	(80,649)
Cash inflow generated from operations		5,981,245	12,459,391
Cash dividends received		2,318,801	2,247,301
Interest paid		(42,793)	(23,638)
Interest received		77,102	65,498
Income tax paid		(1,581,432)	(1,464,744)
Net cash provided by operating activities		<u>6,752,923</u>	<u>13,283,808</u>
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(6,083,183)	-
Acquisition of available-for-sale financial assets	12(4)	-	(500,000)
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)	(113,258)	(52,413)
Proceeds from disposal of property, plant and equipment		528	305
Decrease (increase) in other non-current assets		42,370	(9,484)
Net cash used in investing activities		<u>(6,153,543)</u>	<u>(7,691,592)</u>
Cash flows from financing activities			
Increase (decrease) in short-term loans		1,071,101	(383,537)
Cash dividends paid	6(17)	(6,554,150)	(6,554,150)
Net cash used in financing activities		<u>(5,483,049)</u>	<u>(6,937,687)</u>
Decrease in cash and cash equivalents		(4,883,669)	(1,345,471)
Cash and cash equivalents at beginning of year		5,015,645	6,361,116
Cash and cash equivalents at end of year		<u>\$ 131,976</u>	<u>\$ 5,015,645</u>

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

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR18000473

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

Opinion

We have audited the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the “Group”) as of December 31, 2018 and 2017, 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, 2018 and 2017, 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(11) 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, the Company already considers the collectability of those accounts in doubt. In addition to enhancing the collection process from customers, management also assesses the probability of overdue accounts becoming impaired over the past years. Impairment is provided for those doubtful accounts receivable depending on the length of overdue days and considering forward-looking factors such as the future economic conditions. Management evaluates the individual circumstances of each overdue amount to decide whether to measure the loss allowance.

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

How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report system.
2. For those accounts past due over 30 days, the Company will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and the Company’s policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past years, and the forward-looking information, to evaluate the reasonableness of the provision for impairment policy. In addition, we sampled and examined the group category of expected credit losses report, and checked the consistency with system information.
3. Examined and evaluated samples of the categorized group report of the loss of expected credit and compared it with the system information.

Valuation of the provisions for warranty

Description

Please refer to Note 4(30) 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 warranty offered by the original manufacturer, the Company provides an additional 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. In terms of the agent brands, obtained the car sold information that met the warranty items the Company offered, cars' maintenance details as well as 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. Evaluated and recalculated the reasonableness of provision for warranty by considering the warranty average claimed cost from each agent brand.

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

Description

Please refer to Note 4(37) 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, 2018, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT\$2,601,984 thousand and NT\$634,445 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 sampled and inspected the effectiveness of controls related to claims reserve on a sample basis.
2. Sampled and examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assist 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\$ 5,640,440 thousand and NT\$ 5,605,858 thousand as at December 31, 2018 and 2017, constituting 2.46% and 2.71% of consolidated total assets, respectively. For the years ended December 31, 2018 and 2017, the comprehensive income amounted to NT\$ 180,387 thousand and NT\$ 275,986 thousand, constituting 1.68% and 2.39% 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 plus other matter on the parent company only financial statements of Ho Tai Motor Co., Ltd. as of and for the years ended December 31, 2018 and 2017.

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

Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2019

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 9,469,088	4	\$ 15,041,676	7
1120	Financial assets at fair value through profit or loss-current	6(2) and 12(13)	3,772,918	2	764,921	-
1125	Financial assets at fair value through other comprehensive income-current	6(3)	267,421	-	-	-
1130	Available-for-sale financial assets-current	12(13)	-	-	1,616,954	1
1150	Derivative financial assets for hedging-current	6(4) and 12(13)	70,038	-	-	-
1190	Other financial assets-current	6(1) and 8	2,219,628	1	2,765,768	1
1195	Contract assets-current	6(26)	18,780	-	-	-
1201	Notes receivable	6(5), 7 and 8	9,300,979	4	9,395,216	5
1202	Accounts receivable	6(5), 7 and 8	111,449,621	49	98,658,306	48
1203	Other receivables	7	1,911,161	1	1,331,076	1
1270	Inventories	6(7)	10,017,654	4	7,209,935	3
1280	Prepayments	6(8)	6,517,069	3	5,838,327	3
1290	Non-current assets held for sale (or disposal group), net		15,767	-	-	-
1310	Reinsurance contract assets, net	6(9)	1,225,913	-	861,401	-
	Total current assets		<u>156,256,037</u>	<u>68</u>	<u>143,483,580</u>	<u>69</u>
Non-current assets						
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,000,000	-	-	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	7,886,843	3	-	-
1420	Available-for-sale financial assets-non-current	12(13)	-	-	5,622,117	3
1470	Investments accounted for using equity method	6(10)	14,448,509	6	14,479,827	7
1480	Other financial assets-non-current	6(1)	60,657	-	194,878	-
1500	Property, plant and equipment, net	6(11)	41,852,407	18	34,993,759	17
1600	Investment property, net	6(12)	1,846,459	1	1,857,722	1
1700	Intangible assets, net	6(13)	1,224,857	1	1,208,992	1
1800	Deferred income tax assets, net	6(31)	1,170,731	1	999,088	-
1900	Other assets	6(5)(9)(14)	3,639,205	2	3,753,523	2
	Total non-current assets		<u>73,129,668</u>	<u>32</u>	<u>63,109,906</u>	<u>31</u>
1XXX	Total Assets		<u>\$ 229,385,705</u>	<u>100</u>	<u>\$ 206,593,486</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

	Liabilities and equity	Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
	Current Liabilities					
2110	Short-term loans	6(15)	\$ 62,900,378	27	\$ 43,509,601	21
2120	Short-term notes and bills payable	6(16)	47,871,914	21	55,084,146	27
2140	Financial liabilities at fair value through profit or loss-current	6(2)	19,047	-	96,003	-
2150	Derivative financial liabilities for hedging-current	6(4) and 12(13)	52,424	-	403,699	-
2165	Contract liabilities-current	6(26)	994,964	-	-	-
2201	Notes payable		156,296	-	202,209	-
2202	Accounts payable	7	10,960,404	5	10,501,308	5
2203	Accrued expenses	6(19) and 7	4,844,381	2	4,804,814	2
2204	Other payables		1,458,313	1	1,227,628	1
2250	Commissions payable	7	360,108	-	276,736	-
2260	Due to reinsurance and ceding companies		399,968	-	278,262	-
2270	Claims payable		13,080	-	40,190	-
2310	Current income tax liabilities		2,050,170	1	1,646,741	1
2320	Advance receipts		274,865	-	1,121,680	-
2330	Long-term liabilities-current portion	6(17)(18)	7,947,522	4	3,899,034	2
2350	Other current liabilities	6(9)(21)(22)	10,185,894	5	8,390,622	4
	Total current liabilities		<u>150,489,728</u>	<u>66</u>	<u>131,482,673</u>	<u>63</u>
	Non-current liabilities					
2550	Long-term loans	6(18)	4,086,168	2	4,844,412	3
2600	Provisions	6(9)(21)	4,727,295	2	4,584,964	2
2620	Guarantee deposits received	6(22)	9,133,047	4	8,535,744	4
2630	Deferred income tax liabilities	6(31)	2,581,556	1	2,160,455	1
2660	Other liabilities		131,953	-	109,090	-
	Total non-current liabilities		<u>20,660,019</u>	<u>9</u>	<u>20,234,665</u>	<u>10</u>
2XXX	Total liabilities		<u>171,149,747</u>	<u>75</u>	<u>151,717,338</u>	<u>73</u>
	Equity attributable to shareholders of the parent					
	Share capital	6(23)				
3110	Common stock		5,461,792	2	5,461,792	3
	Capital surplus	6(24)				
3200	Capital surplus		292,159	-	263,060	-
	Retained earnings	6(25)				
3310	Legal reserve		10,348,282	5	9,336,721	5
3320	Special reserve		381,843	-	381,843	-
3330	Unappropriated earnings		32,983,752	14	30,517,783	15
	Other equity					
3400	Other equity		(132,102)	-	694,102	-
31XX	Total equity attributable to shareholders of the parent		<u>49,335,726</u>	<u>21</u>	<u>46,655,301</u>	<u>23</u>
32XX	Non-controlling interest		<u>8,900,232</u>	<u>4</u>	<u>8,220,847</u>	<u>4</u>
3XXX	Total equity		<u>58,235,958</u>	<u>25</u>	<u>54,876,148</u>	<u>27</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after balance sheet date	11				
	Total liabilities and equity		<u>\$ 229,385,705</u>	<u>100</u>	<u>\$ 206,593,486</u>	<u>100</u>

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Items	Notes	2018		2017		
		Amount	%	Amount	%	
Revenues						
4010	Interest income	6(3)(26)(27) and 7	\$ 8,170,708	4	\$ 6,083,055	3
4020	Premiums revenue	6(28) and 7	4,675,980	3	3,192,344	2
4040	Reinsurance commission revenue		253,713	-	129,713	-
4050	Fee income		11,201	-	10,741	-
4060	Share of profit of associates and joint ventures accounted for using equity method	6(10)	1,006,530	1	1,556,292	1
4100	Realized gains on available-for-sale financial assets		-	-	189,771	-
4105	Realized gains on financial assets at fair value through other comprehensive income		146,499	-	-	-
4160	Net sales revenue	6(26) and 7				
4161	Sales revenue		163,665,294	88	159,934,750	89
4162	Sales returns		(1,108,867)	(1)	(1,489,599)	(1)
4163	Sales discounts and allowances		(4,335,156)	(2)	(3,708,783)	(2)
4170	Rental revenue		11,478,288	6	11,215,688	6
4180	Service revenue	6(26) and 7	1,887,310	1	1,936,992	1
4200	Gains on disposals of investments	6(2)	-	-	41,305	-
4210	Gains on disposals of property, plant and equipment		34,487	-	17,753	-
4230	Income from investment property	6(12) and 7	136,194	-	135,513	-
4260	Foreign exchange gains		-	-	312,734	-
4270	Other income		663,383	-	1,253,641	1
4251	Impairment loss and reversal gain on expected credit of investment		(4)	-	-	-
4245	Gains on using overlay approach of investment	6(2)	328,161	-	-	-
4280	Unrealized profit from sales		(58,873)	-	(72,738)	-
4290	Realized profit from sales		72,738	-	35,418	-
	Total revenues		<u>187,027,586</u>	<u>100</u>	<u>180,774,590</u>	<u>100</u>
Expenses						
5010	Interest expense	7	(1,840,788)	(1)	(1,625,331)	(1)
5030	Underwriting expenses		(195)	-	(148)	-
5040	Commission expenses	7	(2,670,441)	(1)	(2,234,587)	(1)
5050	Claims payment	7	(2,082,829)	(1)	(1,308,748)	(1)
5070	Net changes in other insurance liabilities		(272,344)	-	(199,425)	-
5110	Losses on financial assets (liabilities) at fair value through profit or loss	6(2)	(197,978)	-	(220,675)	-
5190	Cost of sales	6(7) and 7	(140,189,231)	(75)	(137,798,550)	(76)
5200	Cost of rental revenue		(9,241,200)	(5)	(9,536,994)	(5)
5210	Cost of services		(1,057,052)	(1)	(628,482)	(1)
5230	Operating expenses	6(29)(30) and 7				
5231	Selling expenses		(8,652,442)	(5)	(7,541,081)	(4)
5232	General and administrative expenses		(4,519,609)	(2)	(5,268,802)	(3)
5233	Research and development expenses		(60,722)	-	(56,474)	-
5281	Impairment loss and reversal gain on non-expected credit of investment	12(5)	2,675	-	-	-
5285	Expected credit impairment loss		(878,508)	(1)	-	-
5240	Loss on disposal of investments		(22,143)	-	-	-
5270	Expenses and losses from investment property	6(12)	(29,102)	-	(26,723)	-
5290	Foreign exchange loss		(11,073)	-	-	-
5320	Other expenses		(109,330)	-	(44,528)	-
	Total expenses		<u>(171,832,312)</u>	<u>(92)</u>	<u>(166,490,548)</u>	<u>(92)</u>
6100	Income before income tax from continuing operation		15,195,274	8	14,284,042	8
6200	Income tax expense	6(31)	(3,595,444)	(2)	(2,719,447)	(2)
6500	Profit for the period		<u>\$ 11,599,830</u>	<u>6</u>	<u>\$ 11,564,595</u>	<u>6</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Items	Notes	2018		2017	
		Amount	%	Amount	%
Other comprehensive income (loss) for the period					
Components of other comprehensive income (loss) that may not be reclassified to profit or loss					
6617	Gain from investments in equity instruments measured at fair value through other comprehensive income	(\$ 351,062)	-	\$ -	-
6625	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(32,876)	-	(44,027)	-
6610	Total components of other comprehensive income (loss) that may not be reclassified to profit or loss	(383,938)	-	(44,027)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
6651	Financial statement translation differences of foreign operations	(126,907)	-	(53,096)	-
6653	Unrealized gains from available-for-sale financial assets	-	-	42,975	-
6659	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	41,686	-	-	-
6655	Loss on effective portion of cash flow hedges	-	-	(22,335)	-
6661	Gain on hedging instrument	(36,744)	-	-	-
6675	Other comprehensive income reclassified by using overlay approach	(328,161)	-	-	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using equity method - components of other comprehensive income	(29,461)	-	49,040	-
6689	Income tax related to components of other comprehensive income	9,610	-	2,872	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	(469,977)	-	19,456	-
6600	Other comprehensive income (loss) for the period	(\$ 853,915)	-	(\$ 24,571)	-
6700	Total comprehensive income for the period	\$ 10,745,915	6	\$ 11,540,024	6
Profit attributable to:					
6810	Owners of parent	\$ 10,025,535	5	\$ 10,115,607	5
6820	Non-controlling interests	1,574,295	1	1,448,988	1
		\$ 11,599,830	6	\$ 11,564,595	6
Comprehensive income attributable to:					
6910	Owners of parent	\$ 9,205,476	5	\$ 10,103,209	5
6920	Non-controlling interests	1,540,439	1	1,436,815	1
		\$ 10,745,915	6	\$ 11,540,024	6
Earnings per share (in dollars)					
	Basic earnings per share	\$ 18.36		\$ 18.52	
	Diluted earnings per share	\$ 18.34		\$ 18.51	

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to shareholders of the parent											Total	Non-controlling interests	Total equity	
		Retained earnings					Other equity									
		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	Unrealized gains on financial assets at fair value through other compre-hensive income	Other compre- hensive income reclassified by using overlay approach	Loss on effective portion of cash flow hedges	Gain (loss) on hedging instru-ments				
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	
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)	
Total comprehensive income (loss)		-	-	-	-	10,071,580	(82,657)	126,782	-	-	(12,496)	-	10,103,209	1,436,815	11,540,024	
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)	
Change in non-controlling interests	6(34)	-	-	-	-	-	-	-	-	-	-	-	-	12,199	12,199	
Balance at December 31, 2017		\$ 5,461,792	\$ 263,060	\$ 9,336,721	\$ 381,843	\$ 30,517,783	(\$ 194,239)	\$ 909,962	\$ -	\$ -	(\$ 21,621)	\$ -	\$ 46,655,301	\$ 8,220,847	\$ 54,876,148	
For the year ended December 31, 2018																
Balance at January 1, 2018		\$ 5,461,792	\$ 263,060	\$ 9,336,721	\$ 381,843	\$ 30,517,783	(\$ 194,239)	\$ 909,962	\$ -	\$ -	(\$ 21,621)	\$ -	\$ 46,655,301	\$ 8,220,847	\$ 54,876,148	
Effects on modified retrospective adjustment	12(13)	-	-	-	-	22,037	-	(909,962)	848,446	39,479	21,621	(21,621)	-	-	-	
Balance at January 1, 2018 after retrospective adjustment		5,461,792	263,060	9,336,721	381,843	30,539,820	(194,239)	-	848,446	39,479	(21,621)	-	46,655,301	8,220,847	54,876,148	
Profit of the year		-	-	-	-	10,025,535	-	-	-	-	-	-	10,025,535	1,574,295	11,599,830	
Other comprehensive income (loss) for the year		-	-	-	-	(15,892)	(133,744)	-	(324,202)	(327,505)	-	(18,716)	(820,059)	(33,856)	(853,915)	
Total comprehensive income (loss)		-	-	-	-	10,009,643	(133,744)	-	(324,202)	(327,505)	-	(18,716)	9,205,476	1,540,439	10,745,915	
Appropriation and distribution of retained earnings:																
Legal reserve	6(25)	-	-	1,011,561	-	(1,011,561)	-	-	-	-	-	-	-	-	-	
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	-	-	-	(6,554,150)	(888,464)	(7,442,614)	
Changes in equity of associates and joint ventures accounted for using equity method		-	3,050	-	-	-	-	-	-	-	-	-	3,050	776	3,826	
Difference between consideration and carrying amount of subsidiaries disposed		-	26,049	-	-	-	-	-	-	-	-	-	26,049	(26,049)	-	
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	52,683	52,683	
Balance at December 31, 2018		\$ 5,461,792	\$ 292,159	\$ 10,348,282	\$ 381,843	\$ 32,983,752	(\$ 327,983)	\$ -	\$ 524,244	(\$ 288,026)	\$ -	(\$ 40,337)	\$ 49,335,726	\$ 8,900,232	\$ 58,235,958	

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>Cash flows from operating activities</u>			
Consolidated profit before income tax		\$ 15,195,274	\$ 14,284,042
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(2)	197,978	220,675
Expected credit/loss bad debts expense and financial guarantee expense		1,545,995	1,461,140
Expected credit impairment loss and gain on reversal of investment		4	-
Expected credit impairment loss and gain on reversal of non-investment		(2,675)	-
Depreciation	6(11)(12)(29)	7,963,334	7,847,451
Amortization	6(29)	81,272	62,092
Impairment loss recognized on rental assets	6(11)	(58,391)	172,614
Net gain on disposal of property, plant and equipment (not including rental property)		(34,487)	(17,753)
Share of profit of associates accounted for using equity method	6(10)	(1,006,530)	(1,556,292)
Interest expense		1,840,788	1,625,331
Interest income	6(27)	(8,170,708)	(6,083,055)
Dividend income		(139,156)	(56,590)
Unrealized profit from sales		58,873	72,738
Realized profit from sales		(72,738)	(35,418)
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		(2,040,132)	3,734,425
Contract assets		887	-
Notes and accounts receivable		(14,260,065)	(16,260,982)
Other receivables		(550,627)	302,575
Inventories		1,730,539	6,969,787
Prepayments		(686,970)	1,659,545
Reinsurance contract assets		(174,422)	108,853
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(76,956)	96,003
Contract liabilities		106,417	-
Notes and accounts payable		413,183	663,550
Accrued expenses		8,572	846,047
Other payables		313,215	(169,277)
Commission payable		83,372	(111,157)
Due to reinsurance and ceding companies		121,706	192,942
Claims payable		(27,110)	(167,215)
Advance receipts		(48,032)	(57,681)
Other current liabilities		1,689,369	769,807
Provisions		75,279	(20,495)
Other liabilities		22,863	66,108
Cash inflow generated from operations		4,099,921	16,619,810
Cash dividends received		1,143,424	1,205,181
Interest paid		(1,801,113)	(1,578,709)
Income tax paid		(2,926,165)	(2,340,830)
Interest received		8,174,776	6,091,023
Net cash provided by operating activities		8,690,843	19,996,475

	Notes	2018	2017
<u>Cash flows from investing activities</u>			
Net cash flow from acquisition of subsidiaries		\$ -	(\$ 6,636,836)
Increase in financial assets at fair value through other comprehensive income		(3,796,034)	-
Decrease in available-for-sale financial assets		-	198,223
Decrease (increase) in other financial assets		680,361	(1,216,452)
Acquisition of investments accounted for using equity method	6(10)	(11,064)	(330,629)
Acquisition of property, plant and equipment	6(11)(12)	(19,156,100)	(13,372,411)
Proceeds from disposal of property, plant and equipment (not including rental assets)		65,447	51,916
Acquisition of intangible assets	6(13)	(55,413)	(35,857)
Increase in other assets		(208,121)	(1,728,584)
Acquisition of investment property	6(12)	(9,050)	-
Net cash used in investing activities		<u>(22,489,974)</u>	<u>(23,070,630)</u>
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(17)	2,400,000	2,800,000
Increase in short-term loans	6(35)	18,932,720	2,237,597
Proceeds from long-term loans	6(35)	1,992,361	2,649,595
Repayment of long-term loans	6(35)	(1,100,000)	(1,750,000)
(Decrease) increase in short-term notes and bills payable	6(35)	(7,212,232)	7,985,535
Repayments of bonds		-	(1,000,000)
Increase in guarantee deposits received		669,680	542,249
Cash dividends paid	6(25)	(6,554,150)	(6,554,150)
Cash dividends paid from subsidiaries to non-controlling interests		(888,464)	(701,014)
Disposal of ownership interests in subsidiaries (without losing control)		52,683	-
Net cash flows provided by financing activities		<u>8,292,598</u>	<u>6,209,812</u>
Net effect of changes in foreign currency exchange rates		(66,055)	(118,496)
Decrease in cash and cash equivalents		(5,572,588)	3,017,161
Cash and cash equivalents at beginning of period		15,041,676	12,024,515
Cash and cash equivalents at end of period		<u>\$ 9,469,088</u>	<u>\$ 15,041,676</u>

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

Hotai Motor Co., Ltd
Table of Distribution of 2018 Profits

Unit: NT\$

Item	Subtotal	Total
Unappropriated earnings from previous period		22,952,071,256
Plus: Effects of retrospective adjustment		22,037,400
Less: 2018 retained earnings adjustment		15,891,160
Unappropriated earnings after adjustment		22,958,217,496
Profit before income tax of current year	11,932,596,106	
Less: Income tax	1,907,061,302	
Plus: Profit of current year		10,025,534,804
Less: 10% set aside for legal reserve		1,002,553,480
Distributable earnings of current period		9,022,981,324
Distributable Items		
Cash dividends (NT\$12 per share)		6,554,150,208
Unappropriated earnings at the end of period		25,427,048,612

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 Articles of Incorporation

	Amended Provisions	Current Provisions (as amended on June 21, 2016)	Commentary
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 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.	<ol style="list-style-type: none"> 1. Amended pursuant to Article 240, paragraph 5 of the Company Act. 2. To simplify the Company's current process of distributing dividends in cash.

	Amended Provisions	Current Provisions (as amended on June 21, 2016)	Commentary
	<p><u>The decision to distribute all or part of the dividends and/or bonuses in cash shall be adopted by a resolution of the majority of the Board of Directors in a meeting attended by over two-thirds of the directors and reported to the shareholders' meeting; the requirement to obtain shareholders' approval in the preceding paragraph does not apply.</u></p>		

HOTAI MOTOR CO., LTD.
Articles of Incorporation
(Current Version)

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 – Shareholders' 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 shareholders' 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 shareholders' 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 shareholders' meeting and Board of Directors.

Article 22

In the case that vacancies on Board of Directors exceed, for any reason, one third of the total number of the Directors, then Board of Directors shall convene a 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 shall chair the of shareholders' meeting and Board of Directors' meeting. In case the Chairman of the Board of Directors is on leave or unable to exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman, or the Vice Chairman is also on leave or absent or unable to exercise his power and authority for any cause, the Chairman of Board of Directors shall designate one of the 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.

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 21, 2018)	Commentary
Article 3	<p>Scope of Assets</p> <p>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.</p> <p>3.2. Real property (including land, building, structure, investment property, right to use land, inventories in the construction industry) and other fixed assets.</p> <p>3.3. Membership.</p> <p>3.4. Intangible assets such as patent, copyright, trademark, and concession.</p> <p><u>3.5. Right-of-use assets.</u></p> <p>3.6. Creditor's rights of financial institutions, including accounts receivable, foreign currency buying, discount, lending, and nonperforming loans.</p> <p>3.7. Derivatives.</p> <p>3.8. Assets acquired or disposed in connection</p>	<p>Scope of Assets</p> <p>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.</p> <p>3.2. Real property (including land, building, structure, investment property, right to use land, inventories in the construction industry) and other fixed assets.</p> <p>3.3. Membership.</p> <p>3.4. Intangible assets such as patent, copyright, trademark, and concession.</p> <p>3.5. Creditor's rights of financial institutions, including accounts receivable, foreign currency buying, discount, lending, and nonperforming loans.</p> <p>3.6. Derivatives.</p> <p>3.7. Assets acquired or disposed in connection with mergers, spin-offs, acquisitions, or</p>	<ol style="list-style-type: none"> 1. Amended according to Article 3 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. A new Article 3.5, right-of-use assets, is added to the Procedures according to IFRS 16. The right to use land under the current Article 3.2 is now within the scope of Article 3.5. 3. Articles 3.5 to 3.8 prior to the amendment are now Articles 3.6 to 3.9.

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	with mergers, spin-offs, acquisitions, or transfer of shares under the law. 3.9. Other significant assets.	transfer of shares under the law. 3.8. Other significant assets.	
Article 4	<p>Investment Limit on Acquisition of Real Property and Right-of-Use Assets or Securities for Non-Business Use</p> <p>The Company and its subsidiaries are each subject to the following limits when acquiring real property <u>and right-of-use assets thereof</u> or securities for non-business use:</p> <p>4.1. The aggregate amount invested in real property <u>and right-of-use assets thereof</u> for non-business use shall not exceed 25 percent of its net worth.</p> <p>4.2. (omitted)</p> <p>4.3. (omitted)</p>	<p>Investment Limit on Acquisition of Real Property or Securities for Non-Business Use</p> <p>The Company and its subsidiaries are each subject to the following limits when acquiring real property or securities for non-business use:</p> <p>4.1. The aggregate amount invested in real property for non-business use shall not exceed 25 percent of its net worth.</p> <p>4.2. (omitted)</p> <p>4.3. (omitted)</p>	<ol style="list-style-type: none"> 1. Amended according to Article 7, Paragraph 1, Subparagraph 5 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. To include right-of-use assets of the real property for non-business use in the calculation of investment limit under the Company's procedures pursuant to IFRS 16. Based on the evaluation conducted by the Company's Administration Division on February 25, 2019, the limit should stay at 25 percent of the Company's net worth.
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 <u>meet the following requirements:</u>	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.	<ol style="list-style-type: none"> 1. Amended according to Article 5 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. The amendment specifies the eligibility requirements of the

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>(1) <u>They have not previously received a final and non-appealable sentence of imprisonment for one year or more for a violation of Regulations Governing the Acquisition and Disposition of Assets by Public Companies, the Company Act, Banking Act, Insurance Act, Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery, or occupational crime. However, this provision does not apply if three years have passed since the completion of the sentence, expiration of the term of probation, or grant of a pardon.</u></p> <p>(2) <u>They</u> shall not be a related party <u>or de facto related party</u> of any parties to the transaction.</p> <p>(3) <u>If the Company is required to obtain appraisal reports from two or more professional appraisers, such professional appraisers and/or their personnel shall not be related parties or de facto related parties of each other.</u></p> <p><u>The professionals referred to in the preceding paragraph shall comply with the following provisions when preparing and issuing an appraisal report or opinion letter:</u></p> <p>(1) <u>Prior to accepting an assignemnt, they shall carefully evaluate their own professional capabilities, practice experience, and</u></p>		<p>professionals and stipulates the responsibilities of outside experts.</p>

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p><u>independence.</u></p> <p>(2) <u>When working on an assignment, they shall adopt and implement adequate operating procedures in formulating a conclusion and use the conclusion as the basis for issuing the report or opinion letter. The procedures implemented, data collected, and conclusion reached shall be fully and accurately recorded in the working papers.</u></p> <p>(3) <u>They shall conduct an item-by-item evaluation on the completeness, accuracy, and reasonableness of the sources of data, parameters, and information used as the basis of the appraisal report or opinion letter.</u></p> <p>(4) <u>They shall issue a statement attesting to the professional competence and independence of the personnel who are involved in the preparation and issuance of the report or opinion letter, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
Article 6	<p>Acquisition and Disposition of Real Property, other Fixed Assets, <u>and Right-of-Use Assets</u></p> <p>6.1. Evaluation and Processing</p> <p>In acquiring or disposing real property, other fixed assets, <u>and right-of-use assets thereof</u>, the Company shall comply with</p>	<p>Acquisition and Disposition of Real Property and other Fixed Assets</p> <p>6.1. Evaluation and Processing</p> <p>In acquiring or disposing real property and other fixed assets, the Company shall comply with the fixed asset lifecycle</p>	<ol style="list-style-type: none"> 1. Amended according to Article 9 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. To include right-of-use assets

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>the fixed asset lifecycle management policy under the internal control system.</p> <p>6.2. Procedures to Determine Transaction Terms and Approval Limits</p> <p>6.2.1. In acquiring or disposing real property <u>or right-of-use assets thereof</u>, 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 president. Transactions of NT\$50 million or less shall be approved by the president; transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board; transactions over NT\$300 million shall be approved by the Board of Directors in advance.</p> <p>6.2.2. The acquisition or disposition of other fixed assets <u>or right-of-use assets thereof</u> 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\$50 million or less shall follow the approval hierarchy pursuant to the authorization rules; transactions over NT\$50 million but less than NT\$300 million</p>	<p>management policy under the internal control system.</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 president. Transactions of NT\$50 million or less shall be approved by the president; transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board; transactions over NT\$300 million 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 of the following methods: by inquiring quotations, collecting and comparing quotations, negotiating prices, or through a bid process. Transactions of NT\$50 million or less shall follow the approval hierarchy pursuant to the authorization rules; transactions over NT\$50 million but less than NT\$300 million shall be approved by the</p>	<p>pursuant to IFRS 16 in the Company's procedures.</p> <p>3. Considering that the rules and price mechanism in transactions with foreign government agencies tend to be inexplicit and ambiguous, the provision is revised to specify that only transactions with domestic government agencies are exempt from having to obtain appraisal reports from professional appraisers prior to the transaction takes place.</p> <p>4. The language in Article 6.4.1 is revised to be consistent with the Regulations.</p>

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>shall be approved by the chairman of the Board; transactions more than NT\$300 million shall be approved by the Board of Directors in advance.</p> <p>6.2.3. According to the Procedures or other applicable laws, the acquisition and disposition of real property, other fixed assets <u>and right-of-use assets thereof</u> by the Company shall be approved by the audit committee and the Board of Directors.</p> <p>6.2.4. (omitted)</p> <p>6.2.5. (omitted)</p> <p>6.3. Execution Departments</p> <p>After the transaction has been approved according to Article 6.2, the acquisition or disposition of real property, other fixed assets <u>or right-of-use assets thereof</u> shall be executed by the using department and the managing department.</p> <p>6.4. Appraisal Report</p> <p>In acquiring or disposing real property, other fixed assets <u>or right-of-use assets thereof</u> 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 <u>domestic</u> government agencies, engaging another party to build on its own land or leased land, or acquiring or disposing other fixed</p>	<p>chairman of the Board; transactions more than NT\$300 million shall be approved by the Board of Directors in advance.</p> <p>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.</p> <p>6.2.4. (omitted)</p> <p>6.2.5. (omitted)</p> <p>6.3. Execution Departments</p> <p>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.</p> <p>6.4. Appraisal Report</p> <p>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</p>	

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>assets <u>or right-of-use assets thereof</u> for business use, the Company shall obtain appraisal reports from professional appraisers prior to the transaction and comply with the following rules:</p> <p>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 <u>subsequent</u> amendment to the transaction terms.</p> <p>6.4.2. (omitted)</p> <p>6.4.3. (omitted)</p> <p>6.4.4. (omitted)</p> <p>6.4.5. (omitted)</p>	<p>the transaction and comply with the following rules:</p> <p>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 <u>future</u> amendment to the transaction terms.</p> <p>6.4.2. (omitted)</p> <p>6.4.3. (omitted)</p> <p>6.4.4. (omitted)</p> <p>6.4.5. (omitted)</p>	
Article 8	<p>Related Party Transactions</p> <p>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</p>	<p>Related Party Transactions</p> <p>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</p>	<ol style="list-style-type: none"> 1. Amended according to Articles 15-18 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. To include right-of-use assets pursuant to IFRS 16 in the Company's procedures 3. Considering that the credibility of foreign governments varies, the

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	<p>the Procedures.</p> <p>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.</p> <p>8.2. Evaluation and Processing</p> <p>In acquiring or disposing real property <u>or right-of-assets thereof</u> from or to a related party, or acquiring or disposing assets other than real property <u>or right-of-assets thereof</u> 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 <u>domestic</u> 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:</p> <p>8.2.1. The purpose, necessity and anticipated benefits of the acquisition or disposition of assets.</p> <p>8.2.2. The reason in selecting the related party</p>	<p>the Procedures.</p> <p>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.</p> <p>8.2. Evaluation and Processing</p> <p>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:</p> <p>8.2.1. The purpose, necessity and anticipated benefits of the acquisition or disposition of assets.</p> <p>8.2.2. The reason in selecting the related party as a counterparty to the transaction.</p>	<p>provision is revised to specify that only transactions with domestic government agencies are exempt from the requirement to obtain prior approval from the audit committee and the Board.</p> <p>4. Easing the requirement for the acquisition of right-of-assets by related parties:</p> <p>The Company may consider transactions within the last year by non-related parties for the lease of real property in neighboring areas in imputing and evaluating whether the transaction costs are reasonable. Transactions involving the lease of real property are also included in one of the methods in evaluating whether the transaction costs are reasonable.</p> <p>5. As part of an overall business consideration, the corporate group of a public company would sometimes lease a piece of real property before subleasing such property to companies within the group</p>

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	<p>as a counterparty to the transaction.</p> <p>8.2.3. With respect to the acquisition of real property <u>or right-of-assets thereof</u> 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.</p> <p>8.2.4. (omitted)</p> <p>8.2.5. (omitted)</p> <p>8.2.6. (omitted)</p> <p>8.2.7. (omitted)</p> <p>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.</p> <p>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.</p> <p>8.3. Evaluate Whether Transaction Costs Are Reasonable</p> <p>8.3.1. In acquiring real property <u>or right-of-assets thereof</u> from a related</p>	<p>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.</p> <p>8.2.4. (omitted)</p> <p>8.2.5. (omitted)</p> <p>8.2.6. (omitted)</p> <p>8.2.7. (omitted)</p> <p>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.</p> <p>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.</p> <p>8.3. Evaluate Whether Transaction Costs Are Reasonable</p> <p>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</p>	<p>(transactions among the company and its parent company, subsidiaries, or companies in which it directly or indirectly holds 100% of the shares). Having considered the above possibility, the provision is revised to exclude the applicability of Articles 8.3.1, 8.3.2, and 8.3.3 in such transactions; subparagraph (4) under Article 8.3.6. is revised to be consistent with the Company's current corporate structure (the Company does not have a parent company).</p> <p>6. The language and numbering of paragraphs in Article 8 are revised to be consistent with the Regulations.</p>

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	<p>party, the Company shall evaluate whether the transaction costs are reasonable according to the following methods:</p> <p>(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.</p> <p>(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</p>	<p>methods:</p> <p>(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.</p> <p>(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.</p>	

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	<p>party of the transaction.</p> <p>8.3.2. If the land and the building(s) erected thereon are combined as a single property purchased <u>or leased</u> 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.</p> <p>8.3.3. In acquiring real property <u>or right-of-assets thereof</u> 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.</p> <p>8.3.4. If the evaluation results of the acquisition of real property <u>or right-of-assets thereof</u> 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:</p> <p>(1) If the related party acquires or</p>	<p>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.</p> <p>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.</p> <p>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:</p> <p>(1) If the related party acquires or leases an undeveloped land for building purposes and is able to produce evidence that any of the</p>	

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	<p>leases an undeveloped land for building purposes and is able to produce evidence that any of the following conditions is met:</p> <p>(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.</p> <p>(b) Transactions 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</p>	<p>following conditions is met:</p> <p>(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.</p> <p>(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</p>	

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	<p>account a reasonable price difference in floors or area according to the common practice of real property sales <u>or leasing</u>.</p> <p>(2) The Company is able to produce evidence that the transaction terms of the real property purchased <u>or right-of-use assets obtained under a real property lease</u> from the related party are comparable to other transactions within the last year by non-related parties for the acquisition of similar sized property in neighboring areas.</p> <p>“Transactions 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 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 <u>or right-of-use assets</u></p>	<p>according to the common practice of real property sales.</p> <p>(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.</p> <p>(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.</p> <p>“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</p>	

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	<p><u>thereof</u> in the current transaction.</p> <p>8.3.5. If the evaluation results of the acquisition of real property <u>or right-of-use assets thereof</u> 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:</p> <p>(1) The difference between the transaction price <u>of the real property or right-of-use assets thereof</u> 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.</p> <p>(2) The audit committee of the Company shall comply with Article 218 of the Company Act.</p> <p>(3) Actions taken under subparagraphs (1) and (2) herein shall be reported to the</p>	<p>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.</p> <p>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. 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.</p> <p>(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,</p>	

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	<p>shareholders meeting, and the details of the transaction shall be disclosed in the annual report and prospectus of the Company.</p> <p><u>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.</u></p> <p>8.3.6. If the acquisition of real property <u>or right-of-use assets thereof</u> 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:</p> <p>(1) The related party acquires the real</p>	<p>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.</p> <p>(2) The audit committee of the Company shall comply with Article 218 of the Company Act.</p> <p>(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.</p> <p>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:</p> <p>(5) The related party acquires the real</p>	

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	<p>property <u>or right-of-use assets thereof</u> by way of succession or a gift.</p> <p>(2) More than five years have lapsed from the time when the related party entered into a contract to acquire the real property <u>or right-of-use assets thereof</u>, to the contract execution of this transaction.</p> <p>(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.</p> <p>(4) <u>The real property or right-of-use assets thereof are acquired for business use from a subsidiary of the Company or a company in which it directly or indirectly holds 100% of the issued shares or authorized capital.</u></p> <p>8.3.7. If the acquisition of real property <u>or right-of-use assets thereof</u> by the Company from a related party indicates any transaction irregularities, it shall follow the steps provided in Article 8.3.5.</p>	<p>property by way of succession or a gift.</p> <p>(6) 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.</p> <p>(7) 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.</p> <p>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.</p>	

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Article 9	<p>Acquisition and Disposition of Memberships, Intangible Assets <u>and Right-of-Use Assets</u></p> <p>9.1. Evaluation and Processing</p> <p>In acquiring or disposing memberships, intangible assets <u>or right-of-use assets thereof</u>, the Company shall comply with the fixed assets lifecycle management policy under the internal control system.</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 present an analysis report to the chairman of the Board. Transactions in the value of NT\$50 million or less shall be approved by the chairman of the Board; transactions over NT\$50 million shall be approved by the Board of Directors in advance.</p> <p>9.2.2. In acquiring or disposing intangible assets <u>or right-of-use assets thereof</u>, the Company shall consider expert evaluation or their fair market value in determining transaction terms and price, and present an analysis report to the president. Transactions in the value of NT\$50 million or less shall be approved by the president;</p>	<p>Acquisition and Disposition of Memberships and Intangible Assets</p> <p>9.1. Evaluation and Processing</p> <p>In acquiring or disposing memberships or either intangible assets, the Company shall comply with the fixed assets lifecycle management policy under the internal control system.</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 present an analysis report to the chairman of the Board. Transactions in the value of NT\$50 million or less shall be approved by the chairman of the Board; transactions over NT\$50 million 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 president. Transactions in the value of NT\$50 million or less shall be approved by the president; transactions over NT\$50 million but less</p>	<ol style="list-style-type: none"> 1. Amended according to Article 11 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. To include right-of-use assets pursuant to IFRS 16 in the Company's procedures. 3. Considering that the rules and price mechanism in transactions with foreign government agencies tend to be inexplicit and ambiguous, the provision is revised to specify that only transactions with domestic government agencies are exempt from having to obtain appraisal reports from professional appraisers prior to the transaction takes place.

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	<p>transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$300 million shall be approved by the Board of Directors in advance.</p> <p>9.2.3. According to the Procedures or other applicable laws, the acquisition and disposition of memberships, intangible assets <u>or right-of-use assets thereof</u> by the Company shall be approved by the audit committee and the Board of Directors.</p> <p>9.2.4. (omitted)</p> <p>9.2.5. (omitted)</p> <p>9.3. Execution Departments</p> <p>After the transaction has been approved according to Article 9.2, the acquisition or disposition of memberships, intangible assets <u>or right-of-use assets thereof</u> shall be executed by the using department and finance or administrative department.</p> <p>9.4. Expert Opinion</p> <p>For the acquisition and disposition of memberships, intangible assets <u>or right-of-use assets thereof</u> 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</p>	<p>than NT\$300 million shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$300 million shall be approved by the Board of Directors in advance.</p> <p>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.</p> <p>9.2.4. (omitted)</p> <p>9.2.5. (omitted)</p> <p>9.3. Execution Departments</p> <p>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.</p> <p>9.4. Expert Opinion</p> <p>For the acquisition and disposition of memberships or other intangible assets with transaction value of at least 20 percent of the Company's paid-in capital, or of NT\$300 million or more, except in the case of transactions with government agencies, the Company shall consult with an auditor on the fairness of the transaction price prior</p>	

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	<p>transactions with <u>domestic</u> 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.</p>	<p>to the date of occurrence of the event; the auditor shall follow the Statements on Auditing Standards No. 20 issued by ARDF.</p>	
Article 12	<p>Mergers, Spin-offs, Acquisitions, and Transfer of Shares</p> <p>12.1. (omitted)</p> <p>12.2. Other Important Information</p> <p>12.2.1. Dates of the Board meeting and shareholders meeting:</p> <p>(1) 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.</p> <p>(2) 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</p>	<p>Mergers, Spin-offs, Acquisitions, and Transfer of Shares</p> <p>12.1. (omitted)</p> <p>12.2. Other Important Information</p> <p>12.2.1. Dates of the Board meeting and shareholders meeting:</p> <p>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</p>	Changes made to the numbering of paragraphs

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	<p>day as other participating companies.</p> <p>(3) 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:</p> <p>(a) 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.</p> <p>(b) 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.</p> <p>(c) Material documents and meeting minutes: including merger,</p>	<p>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:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	

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	<p>spin-off, acquisition, or share transfer plans, letter of intent or memorandum of understanding, material contracts, and meeting minutes of the Board.</p> <p>(4) 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 (a) and (b) 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.</p> <p>(5) 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 <u>subparagraphs (1)-(3)</u>.</p>	<p>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.</p> <p>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.</p>	

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
Article 13	<p>Information Disclosure</p> <p>13.1. Required Filings and Standards</p> <p>If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of the date of occurrence of the event:</p> <p>13.1.1. Acquisition or disposition of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposition of assets other than real property <u>or right-of-use assets thereof</u> 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 <u>domestic</u> government bonds, bonds with repurchase or resale agreement, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>13.1.2. Merger, spin-off, acquisition, or transfer of shares.</p> <p>13.1.3. Derivatives trading losses which exceed the limit of aggregate losses or losses</p>	<p>Information Disclosure</p> <p>13.1. Required Filings and Standards</p> <p>If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of the date of occurrence of the event:</p> <p>13.1.1. Acquisition or disposition of real property from or to a related party, or acquisition or disposition of assets other than real property from or to a related party where the transaction value is at least 20 percent of the paid-in capital of the Company, or 10 percent of the total assets of the Company, or NT\$300 million or more. However, this does not apply to purchase and sale of government bonds, bonds with repurchase or resale agreement, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>13.1.2. Merger, spin-off, acquisition, or transfer of shares.</p> <p>13.1.3. Derivatives trading losses which exceed the limit of aggregate losses or losses from individual contracts set forth in the procedures adopted by the Company.</p>	<ol style="list-style-type: none"> 1. Amended according to Article 31 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. To include right-of-use assets pursuant to IFRS 16 in the Company's procedures. 3. Considering that the credibility of foreign governments varies, the provision is revised to specify that only domestic government bonds are exempt from the filing requirement. 4. The language in Article 13 is revised to be consistent with the Regulations.

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>from individual contracts set forth in the procedures adopted by the Company.</p> <p>13.1.4. A transaction where other fixed assets <u>or right-of-use assets thereof are acquired or disposed</u> for business use, the counterparty is not a related party, and the transaction value is under NT\$500 million.</p> <p>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, <u>the counterparty is not a related party</u>, and the amount of money the Company is prepared to invest in the transaction is less than NT\$500 million.</p> <p>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:</p> <p>(1) Purchase and sale of <u>domestic</u> government bonds.</p> <p>(2) Trading of securities as investment</p>	<p>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.</p> <p>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.</p> <p>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:</p> <p>(1) Purchase and sale of government bonds.</p> <p>(2) Trading of securities as investment professionals on an overseas or domestic exchange or over-the-counter market, or</p>	

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>professionals on an exchange or over-the-counter market, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated debt)</u> that are offered and issued in the primary market, or <u>the subscription or redemption of securities investment trust funds or futures trust funds, or subscription of securities by a securities firm necessitated by its underwriting business or as an advisor for an emerging stock company pursuant to the rules of the Taipei Exchange.</u></p> <p>(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.</p> <p>13.2. The transaction value shall be calculated as follows:</p> <p>13.2.1. The amount of each transaction.</p> <p>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.</p> <p>13.2.3. The cumulative amount of the acquisition or disposition of real</p>	<p>subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic-primary market.</p> <p>(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.</p> <p>13.2. The transaction value shall be calculated as follows:</p> <p>13.2.1. The amount of each transaction.</p> <p>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.</p> <p>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.</p> <p>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.</p>	

	Amended Provisions	Current Provisions (as amended on June 21, 2018)	Commentary
	<p>property <u>or right-of-use assets thereof</u> under the same development project within the last year. The amount of acquisition and disposition of real property shall be calculated separately.</p> <p>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.</p> <p>“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.</p> <p>13.3. (omitted)</p>	<p>“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.</p> <p>13.3. (omitted)</p>	

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

June 21, 2018

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 president. Transactions of NT\$50 million or less shall be approved by the president; transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board; transactions over NT\$300 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\$50 million or less shall follow the approval hierarchy pursuant to the authorization rules; transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board; transactions more than NT\$300 million shall be approved by the Board of Directors in advance.

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

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

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

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

6.3. Execution Departments

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

6.4. Appraisal Report

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

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

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

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

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

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

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

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

Article 7 Acquisition and Disposition of Securities Investments

7.1. Evaluation and Processing

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

7.2. Procedures to Determine Transaction Terms and Approval Limits

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

7.2.2. In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the Company shall obtain the most recent financial statements of the issuing company certified or reviewed by an auditor prior to the transaction and consider its earnings per share in evaluating the transaction price. Transactions of NT\$50 million or less shall be approved by the chairman of the Board. 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 chairman of the Board. Transactions in the value of NT\$50 million or less shall be approved by the chairman of the Board; transactions over NT\$50 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 president. Transactions in the value of NT\$50 million or less shall be approved by the president; transactions over NT\$50 million but less than NT\$300 million shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$300 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 June 21, 2018)	Commentary
Article 2	<p>Principles and Guidelines</p> <p>2.1. Types of Derivatives</p> <p>2.1.1. Financial derivatives herein are defined as <u>forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts</u> that derive their value from the performance of <u>a specified</u> interest rate, <u>financial instrument price, commodity price,</u> foreign exchange rate, index <u>of prices or rates, credit rating or credit index,</u> or other <u>variable; or hybrid contracts combining the above contracts; or hybrid contacts or structure products containing embedded derivatives.</u></p> <p>"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.</p>	<p>Principles and Guidelines</p> <p>2.1. Types of Derivatives</p> <p>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).</p> <p>"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.</p>	<ol style="list-style-type: none"> 1. Amended according to Article 4 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. The scope of derivative products is revised according to the definition of financial derivatives given in IFRS 9. 3. The language in Article 2 is revised to be consistent with the Regulations.
Article 5	<p>Periodic Review</p> <p>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.</p> <p>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 <u>delivered</u> to senior management who is authorized by the Board of Directors.</p>	<p>Periodic Review</p> <p>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.</p> <p>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.</p>	<ol style="list-style-type: none"> 1. Amended according to Articles 20 and 21 of the Regulations Governing the Acquisition and Disposition of Assets by Public Companies. 2. The language in Article 5 is revised to be in compliance with regulatory requirements and consistent with the Regulations.

HOTAI MOTOR CO., LTD.
PROCEDURES FOR FINANCIAL DERIVATIVES TRANSACTIONS
(Current Version)

June 21, 2018

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
Head of the Corporate Planning Group	Up to US\$15 million	Up to US\$350 million
President	Above US\$15 million and up to US\$25 million	Above US\$350 million and up to US\$450 million
Chairman	Above US\$25 million and up to US\$35	Above US\$450 million and up to US\$500 million

	million	
Board of Directors	Above US\$35 million	Above US\$500 million

(b) Other financial derivatives for hedging purposes:

Approval Authority	Delegated Authority Per Transaction	Delegated Authority of Net Cumulative Position
Head of the Corporate Planning Group	Up to US\$3 million	Up to US\$5 million
President	Above US\$3 million and up to US\$10 million	Above US\$5 million and up to US\$20 million
Chairman	Above US\$10 million and up to US\$20 million	Above US\$20 million and 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 if 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.

Comparison of the Current and Amended Provisions of the Company's Lending Procedures

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
Article 3	<p>Borrowers</p> <p>The Company shall not lend funds to its shareholders or any other third parties except in the following circumstances:</p> <p>3.1. A company or business entity that has a business relationship with the Company.</p> <p>3.2. A company or business entity that has short-term financing needs.</p> <p>“Short-term” shall mean one year. However, in the case where the operating cycle of a company is longer than one year, “short-term” shall mean the length of the operating cycle.</p> <p>Loans between the Company and foreign companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares shall be subject to the following limit: the amount of loan made to a single entity shall not exceed one hundred percent (100%) of the net</p>	<p>Borrowers</p> <p>The Company shall not lend funds to its shareholders or any other third parties except in the following circumstances:</p> <p>3.1. A company or business entity that has a business relationship with the Company.</p> <p>3.2. A company or business entity that has short-term financing needs.</p> <p>“Short-term” shall mean one year. However, in the case where the operating cycle of a company is longer than one year, “short-term” shall mean the length of the operating cycle.</p> <p>Loans between the Company and foreign companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares shall be subject to the following limit: the amount of loan made to a single entity shall not exceed one hundred percent (100%) of the net</p>	<p>1. Amended according to Article 3 of the Regulations Governing the Lending and Endorsement/Guarantee Activities of Public Companies. To allow more financial flexibility within corporate groups, the regulatory authority has eased the requirement on loans made between foreign companies in which the Company holds directly or indirectly 100% of the voting shares. Although these loans are not subject to the general lending restrictions of the Company, the Procedures should still prescribe a limit on the aggregate amount of loans and the amount of loans made to a single borrower, as well as term of the loans.</p> <p>2. The provision is revised to specify</p>

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>worth of the lender; the aggregate amount of loans shall not exceed two hundred percent (200%) of the net worth of the lender.</p> <p>In general, the term of a loan shall be no longer than five years, and the calculation of interests shall be determined by the Board of Directors of the Company.</p> <p><u>When a responsible person of the Company violates Article 1, Paragraph 3 of the Regulations Governing the Lending and Endorsement/Guarantee Activities of Public Companies, he shall be held jointly liable with the borrower. The responsible person of the Company shall indemnify the Company against any and all losses.</u></p>	<p>worth of the lender; the aggregate amount of loans shall not exceed two hundred percent (200%) of the net worth of the lender.</p> <p>In general, the term of a loan shall be no longer than five years, and the calculation of interests shall be determined by the Board of Directors of the Company.</p>	<p>that when a short-term loan exceeds the maximum amount provided by this Article, a responsible person of the Company will be held jointly liable and shall indemnify the Company against any and all losses.</p>
Article 11	<p>Filing Procedures</p> <p>11.1. (omitted)</p> <p>11.2. In the event that the amount of the loans meets any of the following thresholds, the Company shall file and publish the information within two (2) days from the Date of Occurrence:</p> <p>11.2.1. (omitted)</p>	<p>Filing Procedures</p> <p>11.1. (omitted)</p> <p>11.2. In the event that the amount of the loans meets any of the following thresholds, the Company shall file and publish the information within two (2) days from the Date of Occurrence:</p> <p>11.2.1. (omitted)</p>	<p>Given that loans are not currently considered transactions, the language in Article 11.2.4 is revised according to Article 7 of the Regulations Governing the Lending and Endorsement/Guarantee Activities of Public Companies.</p>

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>11.2.2. (omitted)</p> <p>11.2.3. (omitted)</p> <p>11.2.4. The "Date of Occurrence" in the Procedures refers to the earlier of the execution date, date of payment, date of execution of an order, date of transfer, Board approval date, or another date when the <u>borrower</u> and the amount <u>of loan</u> can be confirmed.</p> <p>11.3. (omitted)</p>	<p>11.2.2. (omitted)</p> <p>11.2.3. (omitted)</p> <p>11.2.4. The "Date of Occurrence" in the Procedures refers to the earlier of the execution date of the transaction, date of payment, date of execution of an order, date of transfer, Board approval date, or another date when the counterparty and the amount of the transaction can be confirmed.</p> <p>11.3. (omitted)</p>	
Article 14	<p>The adoption and amendment of the Procedures shall be <u>approved by a majority of all members of the audit committee and submitted to the Board of Directors for approval. Once the resolution is passed by the Board of Directors, the proposal</u> shall be submitted to the shareholders meeting for approval. If any of the directors expresses dissent on record or in a written statement, the dissenting opinions shall be submitted to</p>	<p>The adoption and amendment of the Procedures shall be subject to Article 7, Paragraph 4 of the Procedures and shall be submitted to the shareholders meeting for approval. If any of the directors expresses dissent on record or in a written statement, the dissenting opinions shall be submitted to the shareholders meeting for discussion.</p> <p>When the Procedures are submitted to the meeting of the Board of Directors for</p>	<p>1. The Company has an audit committee established since 2016. The provisions of the Procedures are adopted and revised to be consistent with the language in Article 8 of the Regulations Governing the Lending and Endorsement/Guarantee Activities of Public Companies.</p> <p>2. The language in the second</p>

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>the shareholders meeting for discussion.</p> <p>When the Procedures are submitted to the meeting of the Board of Directors for discussion and approval, the opinion of each independent director shall be fully considered. <u>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.</u></p> <p><u>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.</u></p> <p><u>Under this article, "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.</u></p>	<p>discussion and approval, the opinion of each independent director shall be fully considered, and their consent or dissent and reasons for dissent shall be recorded in the meeting minutes of the Board.</p>	<p>paragraph is revised to be consistent with Article 14-3 of the Securities and Exchange Act.</p>

HOTAI MOTOR CO., LTD.
LENDING PROCEDURES
(Current Version)

December 29, 2016

Article 1 The Lending Procedures (the "Procedures") are adopted pursuant to Article 36-1 of the Securities and Exchange Act.

Article 2 The Company shall follow the Procedures in lending funds to a third party.

Article 3 Borrowers

The Company shall not lend funds to its shareholders or any other third parties except in the following circumstances:

3.1. A company or business entity that has a business relationship with the Company.

3.2. A company or business entity that has short-term financing needs.

"Short-term" shall mean one year. However, in the case where the operating cycle of a company is longer than one year, "short-term" shall mean the length of the operating cycle.

Loans between the Company and foreign companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares shall be subject to the following limit: the amount of loan made to a single entity shall not exceed one hundred percent (100%) of the net worth of the lender; the aggregate amount of loans shall not exceed two hundred percent (200%) of the net worth of the lender.

In general, the term of a loan shall be no longer than five years, and the calculation of interests shall be determined by the Board of Directors of the Company.

Article 4 Purpose and Necessity of Loan

Loans extended due to an existing business relationship between the Company and another company or business entity shall follow Article 5.2 of the Procedures. Lending activities involving short-term financing needs shall be limited to the following:

4.1. A company in which the Company holds at least fifty percent (50%) of the shares and has short-term financing needs for its business operations.

4.2. A company that has short-term financing needs to purchase materials or to sustain a healthy working capital.

4.3. Other lending activities as approved by the Board of the Company.

Article 5 Individual and Aggregate Loan Maximum

- 5.1. The aggregate amount of loans made to third parties shall not exceed twenty percent (20%) of the Company's net worth.
- 5.2. The amount of loans made to a single borrower that is a company or business entity which maintains an existing business relationship with the Company shall not exceed the transaction value between the parties. "Transaction value" shall mean the higher of the price paid for purchasing or selling the products.
- 5.3. The amount of loans made to a single borrower that is a company or business entity with short-term financing needs shall not exceed ten percent (10%) of the Company's net worth.

Article 6 Lending Procedures

- 6.1. In order for the Company to process the loan, a borrower shall submit a written loan application to the Company and include the basic information and financial records of the borrower.

Once the Company has processed the application, the designated division shall conduct an investigation and assessment on the borrower's business activity, financial condition, solvency, creditworthiness, profitability, and purpose of loan, and prepare a report accordingly.

- 6.2. When conducting credit investigation and risk assessment on the borrower, the designated division shall at least consider and comply with the following items:
 - 6.2.1. Whether the loan is necessary and reasonable;
 - 6.2.2. Whether the amount of loan requested is proportionate to the borrower's financial condition;
 - 6.2.3. Whether the aggregate amount of loans and the amount of loans made to a single borrower are within the limit;
 - 6.2.4. For loans made to a third party that has an existing business relationship with the Company, whether the amount of loans requested and transaction value are within the limit;
 - 6.2.5. Potential impact on the Company's operational risks, financial condition, and the rights and interests of shareholders;
 - 6.2.6. Whether a collateral is required and the appraised value of such collateral;
 - 6.2.7. Records of the credit investigation and risk assessment shall be

included.

- 6.3. When processing a loan, the Company shall obtain from the borrower a promissory note in the same amount; when necessary, a collateral on personal or real property shall also be created. If the borrower is able to have an individual or another company with proof of sufficient funds and creditworthiness to act as guarantor in lieu of the aforementioned collateral, the Board of Directors may consider the credit assessment report prepared by the designated division when processing the loan application; where the guarantor is a company, the Company shall consider whether being a guarantor is permitted under the incorporation documents of such company.

Article 7 Approval Authority

If, after conducting the credit check and risk assessment, the Company's designated division finds the borrower to have good credit rating, and the loan is indeed necessary and for a legitimate purpose, absent concerns of solvency, the loan proposal shall be submitted to the Board of Directors for approval; the Board may not delegate the decision-making to another person. The opinion of the independent directors shall be fully considered, and their consent or dissent and reasons for dissent shall be recorded in the meeting minutes of the Board.

Loans between the Company and its subsidiaries shall be approved by the Board of Directors according to the preceding paragraph. The chairman may be authorized by the Board of Directors to grant a loan in multiple drawdowns or revolving line of credit to the same borrower within the amount authorized by the Board and over a period of a year or less.

"Within the amount" refers to the maximum amount of loans to a single borrower, which shall not exceed ten percent (10%) of the Company's net worth as stated in its latest financial statements.

A loan that requires the approval of the Board Directors pursuant to the Procedures or other laws or regulations are considered material, and shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for approval. If the Company fails to obtain the approval of a majority of all members of the audit committee, the proposal may be adopted by the approval of two-thirds of all members of the Board. The decision of the audit committee shall be recorded in the meeting minutes of the Board. "All members of the audit committee" shall refer to the incumbent members of the audit committee, and "all members of the Board" shall mean the incumbent members of the Board of Directors.

Article 8 Term and Interests

- 8.1. The term of each loan shall not exceed one year. For a borrower that

falls under Article 3.1, the Company may extend the term of loan as may be required due to special circumstances and subject to the approval of the Board of Directors.

- 8.2. The interest rate of the loan shall not be lower than the interest rate stated in the latest "Base Rate Average of the Top Five Banks in Taiwan" published by the Central Bank.

The loan interest shall be calculated and paid on a monthly basis. Subject to Board approval, an exception may be made in special circumstances.

Article 9 Subsequent Control Measures and Delinquent Debts

- 9.1. Once the loan has been granted, the Company shall frequently monitor the financial, operational and credit status of the borrower and its guarantor. In the case where a collateral is obtained to secure the loan, the collateral value shall also be monitored for any changes. In the event that a significant change is discovered, the chairman of the Board shall be promptly notified, and proper measures shall be taken as instructed by the chairman.
- 9.2. When repaying a loan that becomes due or before the end of the term, the borrower shall first calculate the interest due. Once the borrower pays the principal plus interest on the loan, the Company will cancel and return the promissory note to the borrower and/or cancel the pledge.
- 9.3. When the loan becomes due, the borrower shall promptly pay the principal plus interest, except in the case where a special circumstance is present pursuant to Article 8.1. The Company has the right to dispose the collateral and seek payment from the guarantor if the loan is past due.

Article 10 Internal Control

- 10.1. The designated division shall prepare a logbook and record the name of the borrower, amount of the loan, Board approval date, the date on which the loan is granted, as well as the evaluation of items listed in the Procedures.
- 10.2. The internal auditors shall conduct an audit on the Procedures and implementation thereof at least once every quarter, and document the process and information found during the audit. Upon discovering a major violation, the internal auditors shall promptly notify the audit committee in writing.
- 10.3. The lending activities of the Company shall comply with the Procedures. In the event of a major violation, the personnel in violation and their

direct supervisors shall be subject to disciplinary actions at the discretion of the Company.

10.4. If, due to a change of condition of the Company, a borrower no longer meets the criteria under the Procedures or the loan exceeds the maximum amount permitted, a rectification plan shall be submitted to the audit committee and implemented in accordance with the planned timeline.

Article 11 Filing Procedures

11.1. The Company shall publish on the Market Observation Post System by the tenth (10th) day of each month the balance of loans made by the Company and its subsidiaries in the previous month.

11.2. In the event that the amount of the loans meets any of the following thresholds, the Company shall file and publish the information within two (2) days from the Date of Occurrence:

11.2.1. The aggregate balance of the loans made by the Company and its subsidiaries reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.

11.2.2. The balance of the loan made by the Company and its subsidiaries to a single entity reaches ten percent (10%) or more of the Company's net worth as stated in its latest financial statement.

11.2.3. The amount of new loans made by the Company or its subsidiaries reaches NT\$10 million or more and two percent (2%) or more of the Company's net worth as stated in its latest financial statement.

11.2.4. The "Date of Occurrence" in the Procedures refers to the earlier of the execution date of the transaction, date of payment, date of execution of an order, date of transfer, Board approval date, or another date when the counterparty and the amount of the transaction can be confirmed.

11.3. The Company shall publish and file the information on behalf of a subsidiary that is not a domestic public company in the event that the subsidiary meets the threshold under Article 11.2.3.

Article 12 Control Procedures for Subsidiary Lending Activities

12.1. The Company shall cause a subsidiary that wishes to make loans to a third party to adopt their own lending procedures pursuant to the Procedures, and follow such procedures in making loans to a third party.

12.2. The subsidiaries shall prepare a list containing details of loans made to third parties in the preceding month. The list shall be delivered to the

Company before the sixth (6th) day of every month for the purpose of compiling information to make filings.

Article 13 The Company shall evaluate its lending activities and allocate appropriate allowance for doubtful accounts, and properly disclose relevant information in the financial report. In order for a certified public accountant to implement appropriate auditing procedures and issue an adequate audit report, information relevant to the loans shall be provided.

Article 14 The adoption and amendment of the Procedures shall be subject to Article 7, Paragraph 4 of the Procedures and shall be submitted to the shareholders meeting for approval. If any of the directors expresses dissent on record or in a written statement, the dissenting opinions shall be submitted to the shareholders meeting for discussion.

When the Procedures are submitted to the meeting of the Board of Directors for discussion and approval, the opinion of each independent director shall be fully considered, and their consent or dissent and reasons for dissent shall be recorded in the meeting minutes of the Board.

Article 15 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 Providing Endorsement and Guarantee of Obligations

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
Article 11	<p>Filing Procedures</p> <p>11.1. (omitted)</p> <p>11.2. In the event that the amount of endorsement and guarantee of obligations meets any of the following thresholds, the Company shall file and publish the information within two (2) days from the Date of Occurrence:</p> <p>11.2.1. (omitted)</p> <p>11.2.2. (omitted)</p> <p>11.2.3. The balance of endorsement and guarantee of obligations by the Company and its subsidiaries for a single entity reaches NT\$10 million or more, and the balance of all endorsement and guarantee of obligations provided for, <u>book value of equity method</u> investments in, and loans to such entity reaches thirty percent (30%) or more of</p>	<p>Filing Procedures</p> <p>11.1. (omitted)</p> <p>11.2. In the event that the amount of endorsement and guarantee of obligations meets any of the following thresholds, the Company shall file and publish the information within two (2) days from the Date of Occurrence:</p> <p>11.2.1. (omitted)</p> <p>11.2.2. (omitted)</p> <p>11.2.3. The balance of endorsement and guarantee of obligations by the Company and its subsidiaries for a single entity reaches NT\$10 million or more, and the balance of all endorsement and guarantee of obligations provided for, investments of a long-term nature in, and loans to such entity reaches thirty percent (30%) or more of</p>	<p>1. The provision is revised to provide a clearer definition of "investments of a long-term nature" according to Article 24 of the Regulations Governing Lending and Endorsement/Guarantee Activities of Public Companies.</p> <p>2. Given that endorsements and guarantees are not currently considered transactions, the language in Article 11.2.5 is revised pursuant to Article 7 of the above Regulations.</p>

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>Company's net worth as stated in its latest financial statement.</p> <p>11.2.4. (omitted)</p> <p>11.2.5. The "Date of Occurrence" in the Procedures refers to the earlier of the execution date, date of payment, Board approval date, or another date when the <u>party receiving endorsement or guarantee of obligations</u> and the amount can be confirmed.</p> <p>11.3. (omitted)</p>	<p>Company's net worth as stated in its latest financial statement.</p> <p>11.2.4. (omitted)</p> <p>11.2.5. The "Date of Occurrence" in the Procedures refers to the earlier of the execution date of the transaction, date of payment, Board approval date, or another date when the counterparty and the amount of the transaction can be confirmed.</p> <p>11.3. (omitted)</p>	
Article 14	<p>The adoption and amendment of the Procedures shall be <u>approved by a majority of all members of the audit committee and submitted to the Board of Directors for approval. Once the resolution is passed by the Board of Directors, the proposal</u> shall be submitted to the shareholders meeting for approval. If any of the directors expresses dissent on record or in a written statement, the dissenting opinions shall be submitted to the shareholders meeting for discussion.</p> <p>When the Procedures are submitted to the Company's Board of Directors for discussion</p>	<p>The adoption and amendment of the Procedures shall be subject to Article 7, Paragraph 4 of the Procedures and shall be submitted to the shareholders meeting for approval. If any of the directors expresses dissent on record or in a written statement, the dissenting opinions shall be submitted to the shareholders meeting for discussion.</p> <p>When the Procedures are submitted to the meeting of the Board of Directors for discussion and approval, the opinion of each independent director shall be fully considered, and their consent or dissent</p>	<ol style="list-style-type: none"> 1. The Company has an audit committee established since 2016. The provisions of the Procedures are adopted and revised to be consistent with the language in Article 11 of the Regulations Governing the Lending and Endorsement/Guarantee Activities of Public Companies. 2. The language in the second paragraph is revised to be consistent with Article 14-3 of the Securities and Exchange Act.

	Amended Provisions	Current Provisions (as amended on December 29, 2016)	Commentary
	<p>and approval, the opinions of independent directors shall be fully considered. <u>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.</u></p> <p><u>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.</u></p> <p><u>Under this article, "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.</u></p>	<p>and reasons for dissent shall be recorded in the meeting minutes of the Board.</p>	

HOTAI MOTOR CO., LTD.
PROCEDURES FOR PROVIDING ENDORSEMENT AND GUARANTEE OF
OBLIGATIONS
(Current Version)

December 29, 2016

Article 1 The Procedures for Providing Endorsement and Guarantee of Obligations (the "Procedures") are adopted pursuant to Article 36-1 of the Securities and Exchange Act.

Article 2 The Company shall follow the Procedures in processing and providing endorsement and guarantee of obligations for third parties.

Article 3 The following matters shall fall within the scope of the Procedures:

- 3.1. Endorsement and guarantee of obligations for financing, including:
 - 3.1.1. Discounted bill financing.
 - 3.1.2. Endorsement or guarantee of obligations provided for the purpose of another company's financing needs.
 - 3.1.3. Issuance of negotiable instruments to a non-financial entity as security for the financing needs of the Company.
- 3.2. Guarantee for customs duties: endorsement or guarantee of obligations provided for the Company or other companies in connection with customs duties.
- 3.3. Other endorsement and guarantee of obligations: endorsement or guarantee of obligations provided in connection with matters beyond the scope of the preceding two paragraphs.
- 3.4. Creating a pledge or mortgage on the Company's personal property or real property as security for a loan taken out by another company.

Article 4 Criteria for Endorsement and Guarantee of Obligations

The Company may provide endorsement or guarantee of obligations for the following parties:

- 4.1. A company that has a business relationship with the Company.
- 4.2. A company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- 4.3. A company that holds, directly or indirectly, more than fifty percent (50%) of the Company's voting shares.

Companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may provide endorsement or guarantee of obligations for each other, and the amount of such endorsement or guarantee of obligations shall not exceed ten percent (10%) of the net worth of the Company; provided, however, the restriction does not apply to endorsement and guarantee of obligations provided between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.

In the case where the Company provides guarantee of obligations for another company in the same industry or a joint builder in accordance with contractual terms and as required under a construction project, or where all shareholders making capital contribution to a jointly invested company provide endorsement or guarantee of obligations for such company in proportion to their share ownership, or where companies in the same industry are required by the Consumer Protection Act to act as joint guarantors for the performance of a purchase contract of new construction home, such endorsements and guarantees of obligations are not subject to the restrictions under the preceding two paragraphs.

"Capital contribution" in the preceding paragraph refers to the direct capital contribution by the Company or the capital contribution by a company in which the Company holds one hundred percent (100%) of the voting shares.

Article 5 Maximum Amount of Endorsement and Guarantee of Obligations

- 5.1. The aggregate amount of endorsement and guarantee of obligations provided by the Company and its subsidiaries for third parties shall not exceed fifty percent (50%) of the Company's then current net worth. The aggregate amount of endorsement and guarantee of obligations provided by the Company and its subsidiaries for a single entity shall not exceed thirty percent (30%) of the Company's then current net worth. The net worth of the Company shall be determined according to the latest financial statements audited or reviewed by a certified public accountant.
- 5.2. In the event that an endorsement or guarantee of obligations is provided to a party that has a business relationship with the Company, the amount of such endorsement or guarantee of obligations shall be subject to Article 5.1 and shall not exceed the total transaction value between the parties. "Transaction value" shall be the higher of the price paid for purchasing or selling the products.

Article 6 Procedures for Providing Endorsement and Guarantee of Obligations

- 6.1. A company that intends to request for an endorsement or guarantee of obligations from the Company shall fill out an application form and

submit it to the designated division of the Company. Upon receiving the request, the designated division will conduct a credit investigation on the company and assess the level of risks involved; information obtained and documents prepared during the assessment shall be kept as records. Once the designated division approves the request, the decision will be submitted to the president and chairman of the Board for further instructions. The Company shall obtain a collateral when necessary.

- 6.2. When conducting credit investigation and risk assessment on the applicant, the designated division shall consider and comply with the following items:
 - 6.2.1. Whether the endorsement or guarantee of obligations is necessary and reasonable;
 - 6.2.2. Whether the amount of endorsement or guarantee of obligations requested is proportionate to the applicant's financial condition;
 - 6.2.3. Whether the aggregate amount, and the amount of endorsement or guarantee of obligations provided for a single entity are within the limit;
 - 6.2.4. For endorsement and guarantee of obligations provided for a party that has a business relationship with the Company, whether the amount of endorsement or guarantee of obligations and the transaction value are within the limit;
 - 6.2.5. Potential impact on the Company's operational risks, financial condition, and the rights and interests of shareholders;
 - 6.2.6. Whether a collateral is required and the appraised value of such collateral;
 - 6.2.7. Records of the credit investigation and risk assessment shall be included.

Article 7 Decision-Making and Approval Authority

- 7.1. The Company shall obtain the approval of the Board of Directors prior to providing endorsement or guarantee of obligations to a third party. When a proposal is submitted to the meeting of the Board of Directors for discussion and approval, the opinion of each independent director shall be fully considered, and their consent or dissent and reasons for dissent shall be recorded in the meeting minutes of the Board. The chairman may be authorized by the Board of Directors to approve any endorsement or guarantee of obligations within NT\$50 million, which may be submitted to the Board of Directors at a later time for ratification.
- 7.2. Endorsement or guarantee of obligations provided between the

Company's subsidiaries in which it holds, directly or indirectly, ninety percent (90%) or more of the voting shares pursuant to Article 4.2 shall be submitted and approved by the Board of Directors in advance; provided, however, the restriction does not apply to endorsement and guarantee of obligations provided between the Company's subsidiaries in which it holds, directly or indirectly, one hundred percent (100%) of the voting shares.

- 7.3. When providing endorsement or guarantee of obligations that exceeds the maximum amount specified in the Procedures to meet business demands, and such endorsement or guarantee of obligations is in compliance with the conditions set out in the Procedures, the Company shall obtain the approval from the Board of Directors; at least half of the directors shall act as joint guarantors in the event that the Company suffers any loss from exceeding the maximum amount of endorsement and guarantee of obligations. The Company shall also amend the Procedures accordingly and submit the same to the shareholders meeting for ratification. If such proposal has not been approved at the shareholders meeting, the Company shall formulate a plan to eliminate the amount in excess within a specified period of time.

When the proposal is submitted to the meeting of the Board of Directors for discussion and approval, the opinion of each independent director shall be fully considered, and their consent or dissent and reasons for dissent shall be recorded in the meeting minutes of the Board.

- 7.4. Endorsement or guarantee of obligations that requires the approval of the Board Directors pursuant to the Procedures or other laws or regulations are considered material and shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for approval. If the Company fails to obtain the approval of a majority of all members of the audit committee, the proposal may be adopted by the approval of two-thirds of all members of the Board. The decision of the audit committee shall be recorded in the meeting minutes of the Board. "All members of the audit committee" shall refer to the incumbent members of the audit committee, and "all members of the Board" shall mean the incumbent members of the Board of Directors.

Article 8 Revocation of Endorsement and Guarantee of Obligations

- 8.1. If any documentation or negotiable instrument relevant to the endorsement or guarantee of obligations is to be revoked due to the fulfillment of debt or renewal, the company receiving such endorsement or guarantee of obligations shall submit the original documentation and letter of notice from the regulatory authority to the designated division of the Company. The designated division will affix a stamp that says

“revoked” and return the documents to the company. The letter of notice issued by the regulatory authority will be kept as records by the Company.

- 8.2. The designated division shall record the revoked endorsement and guarantee of obligations in the logbooks of the Company and subtract the amount from the total endorsement and guarantee of obligations.

Article 9 Internal Control

- 9.1. The designated division shall prepare a logbook and record the name of the companies for which the endorsement or guarantee of obligations is provided, the amount of the endorsement or guarantee of obligations, Board or chairman approval date, the date on which the endorsement or guarantee of obligations is provided, as well as the evaluation of items listed in previous paragraph of the Procedures.
- 9.2. The internal auditors shall conduct an audit on the Procedures and implementation thereof at least once every quarter, and document the process and information found during the audit. Upon discovering a major violation, the internal auditors shall promptly notify the audit committee in writing.
- 9.3. Endorsement and guarantee of obligations provided by the Company shall comply with the Procedures. In the event of a major violation, the personnel in violation and their direct supervisors shall be subject to disciplinary actions at the discretion of the Company.
- 9.4. If, due to a change of condition of the Company, providing endorsement or guarantee of obligations to a company becomes a violation to the Procedures or exceeds the maximum amount permitted, a rectification plan shall be submitted to the audit committee and implemented in accordance with the planned timeline.
- 9.5. When the Company provides endorsement or guarantee of obligations for a subsidiary having a net worth of less than fifty percent (50%) of its paid-in capital, in addition to carefully evaluating whether the endorsement is necessary and reasonable, as well as conducting risk assessment on such companies pursuant to Articles 6.1 and 6.2 of the Procedures, subsequent control measures shall also be adopted to manage the potential risks. If the shares of the subsidiary are of no par value or have a par value other than NT\$10, the paid-in capital of the subsidiary shall be the sum of its capital stock and capital reserve minus share premium.
- 9.6. “Control measures” in the preceding paragraph shall include the following:
 - 9.6.1. The designated division of the Company shall require the

company receiving endorsement or guarantee obligations to prepare a rectification plan and submit it to the Company.

9.6.2. The designated division will retain the rectification plan and may require the company receiving endorsement or guarantee obligations to have a representative give a report to the president and chairman of the Board of the Company.

9.6.3. The designated division shall monitor the implementation of the rectification plan quarterly.

Article 10 Use and Safekeeping of Company Chop

10.1. The Company shall use its company chop registered with the Ministry of Economic Affairs as the chop used for providing endorsement and guarantee of obligations for third parties. The chop and negotiable instruments shall be kept safe by the appointed personnel and shall be affixed and issued pursuant to the Procedures. The appointment, removal and change of such personnel shall be approved by the Board of Directors

10.2. When the Company provides guarantee of obligations for a foreign company, the letter of guarantee issued by the Company shall be signed by a person authorized by the Board of Directors.

Article 11 Filing Procedures

11.1. The Company shall publish on the Market Observation Post System by the tenth (10th) day of each month the balance of endorsement and guarantee of obligations provided by the Company and its subsidiaries in the previous month.

11.2. In the event that the amount of endorsement and guarantee of obligations meets any of the following thresholds, the Company shall file and publish the information within two (2) days from the Date of Occurrence:

11.2.1. The aggregate balance of endorsement and guarantee of obligations provided by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.

11.2.2. The balance of endorsement and guarantee of obligations by the Company and its subsidiaries for a single entity reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.

11.2.3. The balance of endorsement and guarantee of obligations by the Company and its subsidiaries for a single entity reaches NT\$10 million or more, and the balance of all endorsement and

guarantee of obligations provided for, investments of a long-term nature in, and loans to such entity reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement.

11.2.4. The amount of new endorsement and guarantee of obligations provided by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest financial statement.

11.2.5. The "Date of Occurrence" in the Procedures refers to the earlier of the execution date of the transaction, date of payment, Board approval date, or another date when the counterparty and the amount of the transaction can be confirmed.

11.3. The Company shall publish and file the information on behalf of a subsidiary that is not a domestic public company in the event that the subsidiary meets the threshold under Article 11.2.4.

Article 12 Control Procedures for Subsidiary's Endorsement and Guarantee of Obligations

12.1. A subsidiary that wishes to provide endorsement and guarantee of obligations for a third party shall adopt its own internal rules according to the Procedures, and shall follow such internal rules in processing endorsement and guarantee of obligations.

12.2. The subsidiaries shall prepare a list containing details of endorsements and guarantees provided for third parties in the preceding month. The list shall be delivered to the Company before the sixth (6th) day of every month for the purpose of compiling information to make filings.

The Company shall cause a subsidiary that wishes to provide endorsement and guarantee of obligations for a third party to adopt its own internal rules pursuant to the Procedures.

Article 13 A loss contingency arising from the endorsement and guarantee of obligations shall be evaluated or recognized and properly disclosed by the Company in the financial report. In order for a certified public accountant to implement appropriate auditing procedures and issue an adequate audit report, information relevant to such endorsement and guarantee of obligations shall be provided.

Article 14 The adoption and amendment of the Procedures shall be subject to Article 7, Paragraph 4 of the Procedures and shall be submitted to the shareholders meeting for approval. If any of the directors expresses dissent on record or in a written statement, the dissenting opinions shall be submitted to the shareholders meeting for discussion.

When the Procedures are submitted to the meeting of the Board of Directors for discussion and approval, the opinion of each independent director shall be fully considered, and their consent or dissent and reasons for dissent shall be recorded in the meeting minutes of the Board.

Article 15 All matters not specifically provided for in the Procedures shall be governed by the applicable laws and internal rules and regulations of the Company.

List of Director Candidates

Director	Education	Experience	Current Positions	Share Ownership
Chun Yung Investment Co, Ltd., represented by Huang, Nan-Kuang	Department of Chemistry, Fu Jen University	<ul style="list-style-type: none"> • Chairman, Hozan Investment Co., Ltd. • Chairman, Kuotu Motor Co., Ltd. • Chairman, Hoton Motor Investment Co., Ltd. • Chairman, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Chairman, Hotai Motor Co., Ltd. • Chairman, Hozan Investment Co., Ltd. • Chairman, Kuotu Motor Co., Ltd. • Chairman, Hoton Motor Investment Co., Ltd. • Vice Chairman, Yokohama Tire Taiwan Co., Ltd. • Managing Director, Hoyu Investment Co., Ltd. • Director, Kuozui Motors Co., Ltd. • Director, Chang Yuan Motor Co., Ltd. • Director, Taipei Toyota Motor Co., Ltd. • Director, Nan Du Motor Co., Ltd. • Director, Kau Du Automobile Co., Ltd. • Director, Hotai Finance Co., Ltd. • Director, Hotai Leasing Co., Ltd. • Director, Denso Taiwan Corp. • Supervisor, Carmax Co., Ltd. • Director, Hoing Mobility Service, Co., Ltd. 	174,000

Director	Education	Experience	Current Positions	Share Ownership
Chun Yung Investment Co., Ltd., represented by Huang, Chih-Cheng	School of Management, University of California	<ul style="list-style-type: none"> • Chairman, Toyota Material Handling Taiwan Ltd. • Chairman, Formosa Flexible Packaging Corp. • Chairman, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. • Chairman, Tech Information Co., Ltd. • Managing Director, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Chairman, Toyota Material Handling Taiwan Ltd. • Chairman, Formosa Flexible Packaging Corp. • Chairman, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. • Managing Director, Hoyu Investment Co., Ltd. • Director, Kuozui Motors Co., Ltd. • Director, Ho Tai Development Co., Ltd. • Director, Carmax Autotech (Shanghai) Co., Ltd. • Director, Hoton Motor Investment Co., Ltd. • Director, Shanghai Hoyu Motor Service Co., Ltd. • Director, Shanghai Hozhan Motor Service Co., Ltd. • Director, Shanghai Heling Motor Service Co., Ltd. • Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. • Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. • Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. • Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. • Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. • Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. 	174,000

Director	Education	Experience	Current Positions	Share Ownership
			<ul style="list-style-type: none"> • Director, Tianjin Hozhan Motor Service Co., Ltd. • Director, Tianjin Hoyu Motor Sales & Service Co., Ltd. • Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. • Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. • Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. • Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. • Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. • Director, Nitto Precision Screw Industrial (Zhejiang) Co., Ltd. • Supervisor, Kuotu Motor Co., Ltd. • Director, Hotai Motor Co., Ltd. • Chairman, Tech Information Co., Ltd. 	
Chun Yung Investment Co., Ltd., represented by Lin, Li-Hua	Department of Money and Banking, National Chengchi University	<ul style="list-style-type: none"> • Chairman, Hoyu Investment Co., Ltd. • Managing Director, Hotai Motor Co., Ltd. • Supervisor, Ho Tai Development Co., Ltd. • Supervisor, Kuozui Motors Co., Ltd. 	<ul style="list-style-type: none"> • Chairman, Hoyu Investment Co., Ltd. • Director, Hotai Motor Co., Ltd. 	174,000

Director	Education	Experience	Current Positions	Share Ownership
Chun Yung Investment Co., Ltd., represented by Huang, Wen-Jui	Master's in Business Intelligence, Tokyo University of Information Sciences	<ul style="list-style-type: none"> • Director, Shanghai Ho-Yu (BVI) Investment Co., Ltd. • Director, Tien Jin Ho Yu Investment Co., Ltd. • Director, Hoyun International Limited 	<ul style="list-style-type: none"> • Director, Shanghai Ho-Yu (BVI) Investment Co., Ltd. • Director, Tien Jin Ho Yu Investment Co., Ltd. • Director, Hoyun International Limited • Director, Formosa Flexible Packaging Corp. • Director, Chung Kuo Insurance Co., Ltd. • Director, Hotai Motor Co., Ltd. 	174,000
Li Gang Enterprise Co., Ltd., represented by Su, Chwen-Shing	MBA, Massachusetts Institute of Technology	<ul style="list-style-type: none"> • Chairman, Carmax Co., Ltd. • Chairman, Eastern Motor Co., Ltd. • Chairman, Hotai Cyber Connection • Managing Director, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • President, Hotai Motor Co., Ltd. • Chairman, Carmax Co., Ltd. • Chairman, Eastern Motor Co., Ltd. • Chairman, Hotai Cyber Connection • Vice Chairman, Hoton Motor Investment Co., Ltd. • Director, Kuozui Motors Co., Ltd. • Director, Hozan Investment Co., Ltd. • Director, Chang Yuan Motor Co., Ltd. • Director, Tau Miao Motor Co., Ltd. • Director, Central Motor Co., Ltd. • Director, Hoyu Investment Co., Ltd. • Director, Hotai Finance Co., Ltd. • Director, Hotai Leasing Co., Ltd. • Director, Hozao Enterprise Co., Ltd. • Director, Hoyun International Lease Co., Ltd. • Director, Carmax Auto Tech (Shanghai) Co., Ltd. • Director, Shanghai Hoyu Motor Service Co., Ltd. 	40,569,353

Director	Education	Experience	Current Positions	Share Ownership
			<ul style="list-style-type: none"> • Director, Shanghai Hozhan Motor Service Co., Ltd. • Director, Shanghai Heling Motor Service Co., Ltd. • Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. • Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. • Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. • Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. • Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. • Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. • Director, Tianjin Hozhan Motor Service Co., Ltd. • Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. • Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. • Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. • Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd • Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. • Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. • Director, Chongqing Yudu Toyota Sales 	

Director	Education	Experience	Current Positions	Share Ownership
			Co., Ltd. <ul style="list-style-type: none"> • Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. • Director, Chongqing Yuguo Automobile Accessory Co. Ltd. • Director, Kuotu Motor Co., Ltd. • Supervisor, Denso Taiwan Corp. • Chairman, Hotai Innovation Marketing Co. • Director, Hoing Mobility Service, Co., Ltd. • Director, Hotai Motor Co., Ltd. 	
Li Gang Enterprise Co., Ltd., represented by Su, Jean	International Finance, Marshal Business School, University of Southern California	<ul style="list-style-type: none"> • Chairman, Cheng Sun Trading Co., Ltd. • Chairman, Jin Yuan Shan Investment Co., Ltd. 	<ul style="list-style-type: none"> • Director, Formosa Flexible Packaging Corp. • Director, Shi-Ho Screw Industrial Co., Ltd. • Director, Hoyu Investment Co., Ltd. • Director, Chung Kuo Insurance Co., Ltd. • Chairman, Cheng Sun Trading Co., Ltd. • Chairman, Jin Yuan Shan Investment Co., Ltd. • Director, Li Gang Enterprise Co., Ltd. 	40,569,353
Yong Hui Development Co., Ltd., represented by Su, Yi-Chung	MBA, St. Mary's University	<ul style="list-style-type: none"> • Chairman, Ho Tai Development Co., Ltd. • Chairman, Ho-An Insurance Agency Co., Ltd. • Chairman, Ho-Chuang Insurance Agency Co., Ltd. • Managing Director, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Chairman, Ho Tai Development Co., Ltd. • Chairman, Ho-An Insurance Agency Co., Ltd. • Chairman, Ho-Chuang Insurance Agency Co., Ltd. • Vice Chairman, Kuozui Motors Co., Ltd. • Vice Chairman, Hoyu Investment Co., Ltd. • Director, Hozao Enterprise Co., Ltd. • Director, Cheng Sun Trading Co., Ltd. • Director, Jin Yuan Shan Investment Co., Ltd. • Director, Hotai Motor Co., Ltd. 	10,000

Director	Education	Experience	Current Positions	Share Ownership
Yong Hui Development Co., Ltd., represented by Leon Soo	MBA, Wharton School of the University of Pennsylvania	<ul style="list-style-type: none"> • Director, Ho Tai Development Co., Ltd. • Director, Formosa Flexible Packaging Corp. • Director, Hotai Leasing Co., Ltd. • Director, Hoyun International Lease Co., Ltd. • Director, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Director, Ho Tai Development Co., Ltd. • Director, Formosa Flexible Packaging Corp. • Director, Hotai Leasing Co., Ltd. • Director, Hoyun International Lease Co., Ltd. • Director, Carmax Autotech (Shanghai) Co., Ltd. • Director, Guangzhou GAC Business Changhe Automobile Technology Co., Ltd. • Director and President, Hoton Motor Investment Co., Ltd. • Director, Shanghai Hoyu Motor Service Co., Ltd. • Director, Shanghai Hozhan Motor Service Co., Ltd. • Director, Shanghai Heling Motor Service Co., Ltd. • Chairman, Shanghai Hede Used Vehicle Co., Ltd. • Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. • Managing Director and President, Shanghai Guangxin Culture & Media Co., Ltd. • Managing Director and President, Shanghai Ho-Mian Auto Technology Co., Ltd. • Managing Director, Shanghai Hoxin Motor Service and Consulting Co., Ltd. 	10,000

Director	Education	Experience	Current Positions	Share Ownership
			<ul style="list-style-type: none"> • Chairman, Shanghai Howang Finance and Leasing Co., Ltd. • Managing Director and President, Shanghai Hochen Auto Technology Co., Ltd. • Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. • Director, Tangshan Heling Lexus Motor Sales & Services Co., Ltd. • Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. • Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. • Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. • Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. • Director, Tianjin Hozhan Motor Service Co., Ltd. • Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. • Chairman, Tianjin Ho-Yi International Trading Co., Ltd. • Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. • Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. • Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. • Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. 	

Director	Education	Experience	Current Positions	Share Ownership
			<ul style="list-style-type: none"> • Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. • Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. • Director, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. • Director, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. • Supervisor, Chang Yuan Motor Co., Ltd. • Director, Hoing Mobility Service, Co., Ltd. 	
Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	The Affiliated Industrial Vocational High School of National Changhua University of Education	<ul style="list-style-type: none"> • Chairman, Chang Yuan Motor Co., Ltd. • Chairman, Sun Union Trading Co., Ltd. • Supervisor, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Chairman, Chang Yuan Motor Co., Ltd. • Managing Director, Hoyu Investment Co., Ltd. • Director, Lang Yang Toyota Motor Co., Ltd. • Chairman, Sun Union Trading Co., Ltd. • Director, Kitahara Industrial Co., Ltd. • Supervisor, Hotai Motor Co., Ltd. • Supervisor, Yong Chi Trading Co., Ltd. 	13,922,894

Director	Education	Experience	Current Positions	Share Ownership
Gui Long Investment Co., Ltd., represented by Chang, Shih-Yieng	School of Economics, Konan University	<ul style="list-style-type: none"> • Director, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Managing Director, Hoyo Investment Co., Ltd. • Director, Ho-An Insurance Agency Co., Ltd. • Director, Ho-Chuang Insurance Agency Co., Ltd. • Director, Hotai Motor Co., Ltd. 	5,126,000
Toyota Motor Corporation, represented by Kazuo Naganuma	School of Commerce, Waseda University	<ul style="list-style-type: none"> • Director, Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> • Director, Carmax Co., Ltd. • Director, Kuotu Motor Co., Ltd. • Director, Hoton Motor Investment Co., Ltd. 	44,406,112

Independent Director	Education	Experience	Current Positions	Share Ownership
Su, Chin-Huo	Master's in industrial systems Engineering and Management, Asian Institute of Technology	<ul style="list-style-type: none"> • President, Corporate Synergy Development Center • Executive Chief, Senior Executive Officer and Deputy Director-General, Industrial Development Bureau, Ministry of Economic Affairs • Adjunct Professor, Chung Yuan Christian University 	<ul style="list-style-type: none"> • Independent Director, Hotai Insurance Co., Ltd. • Independent Director, Hotai Finance Co., Ltd. 	0
Wu, Shih-Hao	PhD in Business Administration, National Taipei University	<ul style="list-style-type: none"> • Vice President, Commerce Development Research Institute • Associate Professor, Dean, Graduate Program Director, and Director of the Management Teaching and Research Center, Department of Marketing and Distribution Management, National Kaohsiung University of Science and Technology, First Campus 	<ul style="list-style-type: none"> • Independent Director, Taiwan Tobacco and Liquor Corporation • Professor, Department of Marketing and Distribution Management, National Kaohsiung University of Science and Technology 	0
Shih, Hsien-Fu	Department of Law, National Chung Hsing University	<ul style="list-style-type: none"> • Outside Advisor, Hotai Motor Co., Ltd. • President, Kuotu Motor Co., Ltd. 	<ul style="list-style-type: none"> • Independent Director, Hotai Finance Co., Ltd. • Independent Director, Alfa Industrial Corporation. 	3,000

Details of the Concurrent Positions held by Directors
of the Companies

Title	Name	Concurrent Positions at Other Companies
Director	Chun Yung Investment Co., Ltd. represented by Huang, Nan-Kuang	Chairman, Ho-Jan Investment Co., Ltd. Chairman, Kuotu Motor Co., Ltd. Chairman, Hoton Motor Investment Co., Ltd. Vice Chairman, Yokohama Tire Taiwan Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Chang Yuan Motor Co., Ltd.– Director, Taipei Toyota Motor Co., Ltd. Director, Nan Du Motor Co., Ltd. Director, Kau Du Automobile Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Denso Taiwan Corp. Supervisor, CarMax Co., Ltd. Director, Hoing Mobility Service, Co., Ltd.
Director	Chun Yung Investment Co., Ltd. represented by Lin, Li-Hua	Chairman, Hoyu Investment Co., Ltd.
Director	Chun Yung Investment Co., Ltd. represented by Huang, Wen-Jui	Director, Shanghai Ho-Yu (BVI) Investment Co., Ltd. Director, Tien Jin Ho Yu Investment Co., Ltd. Director, Hoyun International Limited Director, Formosa Flexible Packaging Corp. Director, Chung Kuo Insurance Co., Ltd.
Director	Chun Yung Investment Co., Ltd. represented by Huang, Chih-Cheng	Chairman, Toyota Material Handling Taiwan Ltd. Chairman, Formosa Flexible Packaging Corp. Chairman, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, CarMax Autotech (Shanghai) Co., Ltd. Director, Hoton Motor Investment Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanchang Heling Lexus Motor Sales &

		<p>Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Hoyu Motor Sales & Service Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Nitto Precision Screw Industrial (Zhejiang) Co., Ltd. Supervisor, Kuotu Motor Co., Ltd. Chairman, Tech Information Co., Ltd.</p>
<p>Director</p>	<p>Li Gang Enterprise Co., Ltd., represented by Su, Chwen-Shing</p>	<p>Chairman, Carmax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Chairman, Hotai Cyber Connection Vice Chairman, Hoton Motor Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Hozan Investment Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service</p>

		<p>Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Director, Kuotu Motor Co., Ltd. Supervisor, Denso Taiwan Corp. Chairman, Hotai Innovation Marketing Co. Director, Hoing Mobility Service, Co., Ltd.</p>
Director	Li Gang Enterprise Co., Ltd., represented by Su, Jean	<p>Director, Formosa Flexible Packaging Corp. Director, Shi-Ho Screw Industrial Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Chung Kuo Insurance Co., Ltd. Chairman, Cheng Sun Trading Co., Ltd. Chairman, Jin Yuan Shan Investment Co., Ltd. Director, Li Gang Enterprise Co., Ltd.</p>
Director	Yong Hui Development Co., Ltd., represented by Su, Yi-Chung	<p>Chairman, Ho Tai Development Co., Ltd. Chairman, Ho-An Insurance Agency Co., Ltd. Chairman, Ho-Chuang Insurance Agency Co., Ltd. Vice Chairman, Kuozui Motors Co., Ltd. Vice Chairman, Hoyu Investment Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd.</p>
Director	Yong Hui Development Co., Ltd., represented by Leon Soo	<p>Director, Ho Tai Development Co., Ltd. Director, Formosa Flexible Packaging Corp. Director, Hotai Leasing Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Autotech (Shanghai) Co., Ltd. Director, Guangzhou GAC Business Changhe Automobile Technology Co., Ltd. Director and President, Hoton Motor Investment Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd.</p>

		<p>Chairman, Shanghai Hede Used Vehicle Co., Ltd. Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. Managing Director and President, Shanghai Guangxin Culture & Media Co., Ltd. Managing Director and President, Shanghai Ho-Mian Auto Technology Co., Ltd. Managing Director, Shanghai Hoxin Motor Service and Consulting Co., Ltd. Chairman, Shanghai Howang Finance and Leasing Co., Ltd. Managing Director and President, Shanghai Hochen Auto Technology Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Services Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. Chairman, Tianjin Ho-Yi International Trading Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Director, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Chang Yuan Motor Co., Ltd. Director, Hoing Mobility Service, Co., Ltd.</p>
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Director	Yuan Tuo Investment Co., Ltd. represented by Ko, Junn-Yuan	Chairman, Chang Yuan Motor Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Lang Yang Toyota Motor Co., Ltd. Chairman, Sun Union Trading Co., Ltd. Director, Kitahara Industrial Co., Ltd. Supervisor, Yong Chi Trading Co., Ltd.
Director	Gui Long Investment Co., Ltd., represented by Chang, Shih-Yieng	Managing Director, Hoyu Investment Co., Ltd. Director, Ho-An Insurance Agency Co., Ltd. Director, Ho-Chuang Insurance Agency Co., Ltd.
Director	Toyota Motor Corporation, represented by Kazuo Naganuma	Director, Carmax Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Hoton Motor Investment Co., Ltd.
Independent Director	Su, Chin-Huo	Independent Director, Hotai Insurance Co., Ltd. Independent Director, Hotai Finance Co., Ltd.
Independent Director	Wu, Shih-Hao	Independent Director, Taiwan Tobacco and Liquor Corporation
Independent Director	Shih, Hsien-Fu	Independent Director, Hotai Finance Co., Ltd. Independent Director, Alfa Industrial Corporation.

HOTAI MOTOR CO., LTD.

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 – Shareholders' 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 shareholders' 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 shareholders' 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 shareholders' meeting and Board of Directors.

Article 22

In the case that vacancies on Board of Directors exceed, for any reason, one third of the total number of the Directors, then Board of Directors shall convene a 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 shall chair the of shareholders' meeting and Board of Directors' meeting. In case the Chairman of the Board of Directors is on leave or unable to exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman, or the Vice Chairman is also on leave or absent or unable to exercise his power and authority for any cause, the Chairman of Board of Directors shall designate one of the 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.

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

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 22, 2019; Unit: Share

Title	Name	Authorized Representative	Shareholding	%
Chairman	Chun Yung Investment Co., Ltd.	Huang, Nan-Kuang	174,000	0.031858%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Chwen-Shing	36,071,520	6.604338%
Director	Toyota Motor Corporation	Kazuo Naganuma	44,406,112	8.130319%
Director	Chun Yung Investment Co., Ltd.	Lin, Li-Hua	174,000	0.031858%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Yann-Huei	36,071,520	6.604338%
Director	Chun Yung Investment Co., Ltd.	Huang, Chih-Cheng	174,000	0.031858%
Director	Jin Yuan Shan Investment Co., Ltd.	Su, Yi-Chung	36,071,520	6.604338%
Director	Yuan Tuo Investment Co., Ltd.	Ko, Junn-Yuan	13,922,894	2.549144%
Director	Gui Long Investment Co., Ltd.	Chang, Shih-Yieng	5,126,000	0.938520%
Director	Chun Yung Investment Co., Ltd.	Huang, Wen-Jui	174,000	0.031858%
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			99,700,812	18.254231%

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.

Rules for Election of Directors
Of
Hotai Motor Company Limited

2015.6.25

Article 1

The directors of this Company shall be elected in accordance with the rules specified herein.

Article 2

In the election of directors of the Company, the directors shall be elected through cumulative voting, the names of voters may be represented by shareholders' numbers. When electing the Company's directors, each share shall be entitled to one vote for each director to be elected. The holder of the shares may cast all votes for one candidate, or may distribute the votes among several candidates.

Article 3

In the election of directors of the Company, the Company adopts the candidate nomination system due to Article 192-1 of Company Law of Republic of China. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately. Candidates who acquire more votes (electronic votes included) should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the chairman shall draw lots on behalf of the candidate who is not present.

Article 4

At the beginning of the election, the chairman shall appoint several persons each to check, tell and record the ballots.

Article 5

Ballots shall being prepared by the Company and note the number of voting rights by represented shareholders' numbers. The one who elect electronically do not use ballots.

Article 6

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and could note his/her shareholder's number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and ID number. If the candidate is a legal entity, voters shall fill in the "candidate" column the legal entity or the name(s) of their representative(s) and the legal entity's together. If the legal entity has more than one representatives, the name of the representatives shall be filled in the column.

Article 7

Ballots shall be deemed void under the following conditions:

1. Not follow the rules specified herein;
2. Blank ballots not completed by the voter;
3. Illegible writing;
4. If the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot is inconsistent with the shareholders' register. If the candidate is not a shareholder of the Company, the name or ID number of the candidate filled in the ballot is incorrect;
5. Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) or the representatives name of legal entity;
6. The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers or ID numbers not being indicated to distinguish them.

Article 8

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

Article 9

The Company shall issue notifications to the directors elected.

Article 10

Others provided in Company Law or relevant regulation of Republic of China shall be followed as the Rules for Election of Directors has no related regulation.

Article 11

The Rules for Election of Directors and any revision thereof shall become effective with an approval at the shareholders' meeting.



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