

HO TAI MOTOR COMPANY LIMITED
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements 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.

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015
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**REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)**

PWCR16000310

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

Opinion

We have audited the accompanying parent company only balance sheets of Ho Tai Motor Co., Ltd. (the “Company”) as of December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to “other matter” section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other independent accountants are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Description

When accounts receivable are past due over 30 days, Hotai Finance Co., Ltd. already considers the collectability of those accounts in doubt. In addition to enhancing collection progress from customers, management also assesses the collectability of each account based on the probability of overdue accounts becoming impaired over the past 5 years. 15%~100% of provision for impairment is provided for those doubtful accounts receivable depending on the length of overdue days. Since the provision for impairment of accounts receivable in Hotai Finance Co., Ltd. would impact the Company's share of profit of associate accounted for using equity method, it was identified as a key audit matter.

How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable and the calculation process in the accounting system in Hotai Finance Co., Ltd.. Sampled and tested the accuracy of accounts receivable aging report.
2. For those accounts past due over 30 days, Hotai Finance Co., Ltd. will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past 5 years and Hotai Finance Co., Ltd.'s policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past 5 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

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

In order to enhance customer's confidence on product quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, the Company provides an extra 4th year or 20 thousand-kilometer limited warranty extension free of charge for customers in Taiwan driving Toyota cars. Since the provisions for warranty involves massive historical data as well as complex calculation in respect of maintenance and repair experience and the estimation on customer return rate, it was identified as key audit matter.

How our audit addressed the matter

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

1. For each car model sold within 4 years and met the warranty claimed in 4th year or less than 120 thousand kilometer, obtained those cars' maintenance details and registration form, sampled and tested each car's warranty cost on maintenance records for each car model.

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

Other matter – Using the work of other independent accountants

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

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Chin-Mu, Hsiao

Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

March 28, 2017

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

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

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

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

(Continued)

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

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

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

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

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

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

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

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

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

HO TAI MOTOR CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

1. HISTORY AND ORGANIZATION

Ho Tai Motor Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on April 25, 1955. The Company is primarily engaged in assembling, trading, import of vehicles, automobile air conditioners and their parts.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 28, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New and revised standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

(3) Effects of IFRSs issued by IASB but not yet endorsed by the FSC

New and revised standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions(amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

A. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

B. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the goods or services to be provided); and determine whether the revenue from granting a licence should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

C. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollar ("NTD"), which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet

date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, the Company retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or

local economic conditions that correlate with defaults on the assets in the group;

- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- (a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

- (b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when

- the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
 - C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
 - D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
 - E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
 - F. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
 - G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
 - H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the

relevant assets or liabilities were disposed of.

- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, “profit for the year” and “Other comprehensive income for the year” reported in an entity’s non-consolidated statement of comprehensive income, shall equal to “profit for the year” and “Other comprehensive income for the year” attributable to shareholders of the parent reported in that entity’s consolidated statement of comprehensive income. Total equity reported in an entity’s non-consolidated financial statements, shall equal to equity attributable to shareholders of parent reported in that entity’s consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5	~	50	years
Utility equipment	8	~	10	years
Office equipment	2	~	20	years
Other equipment	5	~	6	years
Rental assets			10	years

(14) Leased assets / leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 50 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Provisions

Provisions (provision for warranties) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(21) Employee benefits

A. Short-term benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(25) Revenue recognition

Sales of goods

The Company sells vehicles and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the

degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgments in applying the Company’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments in applying the Company’s accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Company estimates sales discounts based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts periodically.

B. Provisions for warranty

To provide vehicle owners more complete after-sales service and dependable quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, the Company provides an extra 4th year or 20 thousand-kilometer limited warranty for all vehicles in the Toyota and Lexus line-up. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(13) “Provisions” for more information. As of December 31, 2016, the carrying amount of provisions for warranty was \$1,741,329.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash on hand and revolving funds	\$ 250	\$ 250
Checking accounts and demand deposits	97,148	147,853
Cash equivalents - short-term notes and bills	<u>6,263,718</u>	<u>5,672,313</u>
	<u>\$ 6,361,116</u>	<u>\$ 5,820,416</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

	December 31,	
	2016	2015
Current items:		
Financial assets held for trading		
Domestic open-ended quasi money market fund	\$ 2,700,000	\$ 3,090,190
Non-hedging derivative instruments	126,282	54,417
Valuation adjustment	366	8,589
	<u>\$ 2,826,648</u>	<u>\$ 3,153,196</u>

A. The Company recognized net gain of \$79,262 and loss of \$61,232 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31,			
	2016		2015	
	Contract amount (Notional Principal) (in thousands)	Contract period	Contract amount (Notional Principal) (in thousands)	Contract period
Derivative instruments				
Current items:				
Forward foreign exchange contracts	USD 252,300	2016.10.17~2017.3.14	USD 176,790	2015.10.20~2016.3.14

The Company entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	December 31,	
	2016	2015
Non-current items:		
Listed stocks and unlisted stocks	\$ 308,660	\$ 331,692
Valuation adjustment of available-for-sale financial assets	478,224	457,921
	<u>\$ 786,884</u>	<u>\$ 789,613</u>

The Company recognized gain of \$20,303 and loss of \$92,279 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

(4) Notes and accounts receivable, net (including related parties)

	December 31,	
	2016	2015
Notes receivable	\$ 24,913	\$ 61,031
Accounts receivable	1,623,711	1,479,765
	<u>\$ 1,648,624</u>	<u>\$ 1,540,796</u>

A. The Company's accounts receivable that were neither past due nor impaired are assessed as optional credit quality.

B. Movements of the Company's provision for impairment of accounts receivable are as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
At January 1	\$ -	\$ 157
Reversal of impairment	-	(157)
At December 31	<u>\$ -</u>	<u>\$ -</u>

C. The quality information of accounts receivable is based on customers' credit ranking and recoverable periods of receivables in order to calculate the accrual of impairment. The Company has an internal credit rating policy. The Company's finance department periodically or occasionally evaluates whether credit ratings of existing customers are appropriate and adjusts to obtain the latest information when necessary. Customers' credit rating assessment is based on financial position and repayment position.

(5) Inventories

	<u>December 31, 2016</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles	\$ 3,748,283	\$ -	\$ 3,748,283
Parts	596,532	(61,704)	534,828
Inventory in transit	<u>1,209,578</u>	<u>-</u>	<u>1,209,578</u>
	<u>\$ 5,554,393</u>	<u>(\$ 61,704)</u>	<u>\$ 5,492,689</u>

	<u>December 31, 2015</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles	\$ 586,641	\$ -	\$ 586,641
Parts	604,890	(61,104)	543,786
Inventory in transit	<u>441,774</u>	<u>-</u>	<u>441,774</u>
	<u>\$ 1,633,305</u>	<u>(\$ 61,104)</u>	<u>\$ 1,572,201</u>

A. The Company had no inventories pledged to others as collateral.

B. Expenses and losses incurred on inventories were as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cost of goods sold	\$ 100,829,394	\$ 93,217,366
Loss on (gain on reversal of) inventory write-down	600 (58)
Others	(6,623)	<u>5,155</u>
	<u>\$ 100,823,371</u>	<u>\$ 93,222,463</u>

The gain on reversal of inventory write-down in 2015 was caused by continuous selling of inventories that were previously written-down for inventory valuation and obsolescence loss.

(6) Investments accounted for using equity method

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Hozan Investment Co., Ltd.	\$ 8,247,139	\$ 7,182,649
Kuozui Motors, Ltd.	4,396,283	4,822,743
Chang Yuan Motor Co., Ltd.	3,581,958	3,271,595
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	3,334,725	3,309,922
Central Motor Co., Ltd.	2,408,428	2,338,547
Ho Tai Development Co., Ltd.	1,955,535	1,791,597
Tau Miao Motor Co., Ltd.	1,406,260	1,342,355
Kau Du Automobile Co., Ltd.	1,331,838	1,287,020
Carmax Co., Ltd.	1,135,160	944,275
Taipei Toyota Motor Co., Ltd.	918,131	848,882
Kuotu Motor Co., Ltd.	914,894	843,038
Nan Du Motor Co., Ltd.	870,861	805,807
Toyota Material Handling Taiwan Ltd.	693,258	695,994
Eastern Motor Co., Ltd.	343,316	298,056
Lang Yang Toyota Motor Co., Ltd.	282,242	276,321
Formosa Flexible Packaging Corp.	263,309	259,852
Shi-Ho Screw Industrial Co., Ltd.	261,910	262,595
	<u>\$ 32,345,247</u>	<u>\$ 30,581,248</u>

- A. Please refer to Note 4(3) of the 2016 consolidated financial statements for related information about subsidiaries of the Company.
- B. The Company's investments have no quoted market prices. The share of profit of investments accounted for using the equity method were \$5,008,805 and \$4,679,684, which were valued based on the investees' financial statement audited by the independent accountants for the years ended December 31, 2016 and 2015, respectively, which were valued based on the financial statements audited by the companies' independent accounts.
- C. The Company purchased 20% of outstanding shares of Smart Design Technology Co., Ltd. with cash consideration of \$10,763 on October 12, 2015.
- D. Certain investments in associates are immaterial to the Company. As of December 31, 2016 and 2015, the book values of these investments were \$13,043,503 and \$13,077,134, respectively. The Company's share of operating results of these associates are summarized as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive income for the year	<u>\$ 8,693,215</u>	<u>\$ 9,395,619</u>

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Rental assets</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2016</u>								
Cost	\$ 2,143,310	\$ 1,163,665	\$ 128,832	\$ 510,485	\$ 5,512	\$ 102,176	\$ 4,814	\$ 4,058,794
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(598,463)	(125,909)	(435,966)	(4,651)	(102,165)	-	(1,294,004)
	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>
<u>2016</u>								
Opening net book amount	\$ 3,047,957	\$ 565,298	\$ 2,923	\$ 74,519	\$ 861	\$ 11	\$ 4,814	\$ 3,696,383
Additions	-	26,157	-	53,627	-	-	3,074	82,858
Disposals	-	-	-	(135)	-	-	-	(135)
Reclassifications	-	5,990	-	-	-	-	(4,962)	1,028
Depreciation	-	(32,373)	(596)	(26,654)	(265)	(6)	-	(59,894)
Closing net book amount	<u>\$ 3,047,957</u>	<u>\$ 565,072</u>	<u>\$ 2,327</u>	<u>\$ 101,357</u>	<u>\$ 596</u>	<u>\$ 5</u>	<u>\$ 2,926</u>	<u>\$ 3,720,240</u>
<u>At December 31, 2016</u>								
Cost	\$ 2,143,310	\$ 1,196,420	\$ 128,832	\$ 532,236	\$ 5,512	\$ 102,176	\$ 2,926	\$ 4,111,412
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(631,444)	(126,505)	(430,879)	(4,916)	(102,171)	-	(1,322,765)
	<u>\$ 3,047,957</u>	<u>\$ 565,072</u>	<u>\$ 2,327</u>	<u>\$ 101,357</u>	<u>\$ 596</u>	<u>\$ 5</u>	<u>\$ 2,926</u>	<u>\$ 3,720,240</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Rental assets</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2015</u>								
Cost	\$ 2,143,310	\$ 1,160,189	\$ 128,534	\$ 502,209	\$ 5,285	\$ 102,176	\$ 3,301	\$ 4,045,004
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(563,896)	(125,323)	(414,877)	(4,427)	(102,154)	-	(1,237,527)
	<u>\$ 3,047,957</u>	<u>\$ 596,389</u>	<u>\$ 3,211</u>	<u>\$ 87,332</u>	<u>\$ 858</u>	<u>\$ 22</u>	<u>\$ 3,301</u>	<u>\$ 3,739,070</u>
<u>2015</u>								
Opening net book amount	\$ 3,047,957	\$ 596,389	\$ 3,211	\$ 87,332	\$ 858	\$ 22	\$ 3,301	\$ 3,739,070
Additions	-	175	298	20,267	324	-	4,814	25,878
Disposals	-	-	-	(2,102)	-	-	-	(2,102)
Reclassifications	-	3,301	-	-	-	-	(3,301)	-
Depreciation	-	(34,567)	(586)	(30,978)	(321)	(11)	-	(66,463)
Closing net book amount	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>
<u>At December 31, 2015</u>								
Cost	\$ 2,143,310	\$ 1,163,665	\$ 128,832	\$ 510,485	\$ 5,512	\$ 102,176	\$ 4,814	\$ 4,058,794
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(598,463)	(125,909)	(435,966)	(4,651)	(102,165)	-	(1,294,004)
	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>

(8) Investment property

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 755,900	\$ 992,039	\$ 1,747,939
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(433,265)</u>	<u>(433,265)</u>
	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>
<u>2016</u>			
Opening net book amount	\$ 1,498,163	\$ 570,757	\$ 2,068,920
Additions	-	992	992
Transfer	-	(1,028)	(1,028)
Depreciation	<u>-</u>	<u>(26,394)</u>	<u>(26,394)</u>
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>
<u>At December 31, 2016</u>			
Cost	\$ 755,900	\$ 991,395	\$ 1,747,295
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(459,051)</u>	<u>(459,051)</u>
	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>
	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 755,900	\$ 1,017,494	\$ 1,773,394
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(413,066)</u>	<u>(413,066)</u>
	<u>\$ 1,498,163</u>	<u>\$ 616,411</u>	<u>\$ 2,114,574</u>
<u>2015</u>			
Opening net book amount	\$ 1,498,163	\$ 616,411	\$ 2,114,574
Disposals	-	(18,281)	(18,281)
Depreciation	<u>-</u>	<u>(27,373)</u>	<u>(27,373)</u>
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>
<u>At December 31, 2015</u>			
Cost	\$ 755,900	\$ 992,039	\$ 1,747,939
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(433,265)</u>	<u>(433,265)</u>
	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>

A. Rental revenue from investment property and direct operating expenses arising from investment property are as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental revenue from investment property	<u>\$ 199,560</u>	<u>\$ 193,237</u>
Direct operating expenses arising from the investment property that generated rental revenue during the year	<u>\$ 26,394</u>	<u>\$ 27,373</u>

B. The fair value of the investment property held by the Company was \$3,536,574 and \$3,367,513 as of December 31, 2016 and 2015, respectively, based on the market value method.

(9) Short-term loans

<u>Type of loans</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Unsecured loans	\$ 1,193,250	\$ 351,227
Annual interest rate	<u>1.10%~1.19%</u>	<u>0.73%</u>

(10) Accounts payable (including related parties)

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 3,250,644	\$ 2,644,851
Accounts payable - foreign currencies	<u>4,345,514</u>	<u>2,852,857</u>
	7,596,158	5,497,708
Valuation adjustment	<u>56,826</u>	<u>13,559</u>
	<u>\$ 7,652,984</u>	<u>\$ 5,511,267</u>

(11) Other payables

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Year-end bonus payable	\$ 664,916	\$ 644,086
Payable on discounts for distributors	260,301	179,839
Remuneration payable to directors and supervisors	252,338	347,927
Advertisement expense payable	168,490	391,468
Warranty cost payable	130,563	105,628
Remuneration payable to employees	126,169	115,976
Business tax payable	-	148,202
Others	<u>242,076</u>	<u>187,813</u>
	<u>\$ 1,844,853</u>	<u>\$ 2,120,939</u>

(12) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2016 and 2015 were \$26,645 and \$25,852, respectively.

(13) Provisions

	<u>Warranty</u>
At January 1, 2016	\$ 1,848,818
Additional provisions	712,146
Used during the year	(819,635)
At December 31, 2016	<u>\$ 1,741,329</u>

Analysis of total provisions:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current	<u>\$ 925,804</u>	<u>\$ 1,135,281</u>
Non-current	<u>\$ 815,525</u>	<u>\$ 713,537</u>

The Company provides warranties on vehicles and related products sold. Provision for warranty is estimated based on historical warranty data of vehicles and related products.

(14) Share capital

As of December 31, 2016, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock, and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2016 and December 31, 2016 was both 546,179,184 shares.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve, and shall be set aside as special reserve as required by the regulations when necessary. The remainder, if any, shall be appropriated as dividends to shareholders which shall account for at least 50%, and cash dividends shall account for at least 10% of the total dividends distributed.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The Company recognized dividends distributed to shareholders amounted to \$6,554,150 (NT\$12.0 per share) and \$5,734,881 (NT\$10.5 per share) for the years ended December 31, 2016 and 2015, respectively. On March 28, 2017, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2016 was \$6,554,150 with \$12.0 (in dollars) per share.
- E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(21).

(17) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Sales revenue	\$ 109,437,928	\$ 100,944,514
Service revenue	915,666	1,026,688
	<u>\$ 110,353,594</u>	<u>\$ 101,971,202</u>

(18) Other income

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental income	\$ 199,560	\$ 193,237
Interest income	74,853	78,611
Others	608,488	643,292
	<u>\$ 882,901</u>	<u>\$ 915,140</u>

(19) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	\$ 63,642	(\$ 67,111)
(Loss) gain on disposal of property, plant and equipment	(40)	464
Loss on abandonment of property, plant and equipment	(81)	(18,289)
Net currency exchange gain	34,406	116,987
Gain on disposal of investments	15,620	5,879
Miscellaneous disbursements	(26,400)	(27,384)
	<u>\$ 87,147</u>	<u>\$ 10,546</u>

(20) Expenses by nature (shown as operating expenses)

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense	\$ 1,685,358	\$ 1,703,638
Depreciation	86,288	93,836
Amortization	-	1,692
	<u>\$ 1,771,646</u>	<u>\$ 1,799,166</u>

(21) Employee benefit expense (shown as operating expenses)

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ 1,518,869	\$ 1,542,395
Labor and health insurance fees	58,506	57,540
Pension costs	26,645	25,852
Other personnel expenses	81,338	77,851
	<u>\$ 1,685,358</u>	<u>\$ 1,703,638</u>

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year shall be distributed as employees' remuneration and directors' and supervisors' remuneration. The percentage shall be 1% for employees' remuneration and shall not be higher than 2% (3% for the year 2015) for directors' and supervisors' remuneration. Independent directors will not receive any distributable profit. If a company has accumulated deficit, earnings should be channelled to cover losses.

B. For the years ended December 31, 2016 and 2015, employees' remuneration was accrued at \$126,169 and \$115,976, respectively; while directors' and supervisors' remuneration was accrued at \$252,338 and \$347,927, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' remuneration and directors' and supervisors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the year ended December 31, 2016. The employees' remuneration and directors' and supervisors' remuneration

resolved by the Board of Directors were \$126,169 and \$252,338 on March 28, 2017, and the employees' remuneration will be distributed in cash.

Employees' remuneration and directors' and supervisors' remuneration of 2015 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2015 financial statements.

Information about employees' remuneration and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax expense recognized in the current year	\$ 1,204,757	\$ 1,103,668
Additional 10% income tax imposed on unappropriated earnings	217,638	254,218
Prior year income tax over estimation	(4,857)	(2,842)
Total current tax	<u>1,417,538</u>	<u>1,355,044</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>80,796</u>	<u>2,032</u>
Total deferred tax	<u>80,796</u>	<u>2,032</u>
Income tax expense	<u>\$ 1,498,334</u>	<u>\$ 1,357,076</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Income tax expense at the statutory rate	\$ 2,080,523	\$ 1,892,723
Effects from adjustments based on regulation	(794,970)	(787,023)
Additional 10% surtax on undistributed earnings	217,638	254,218
Prior year income tax over estimation	(4,857)	(2,842)
Income tax expense	<u>\$ 1,498,334</u>	<u>\$ 1,357,076</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2016		
	January 1	Recognized in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,388	\$ 102	\$ 10,490
Provision for after-sale service	7,730	-	7,730
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	18,249	(5,556)	12,693
Unrealized provision for warranty	201,705	(24,274)	177,431
Others	13,958	15,440	29,398
	<u>265,936</u>	<u>(14,288)</u>	<u>251,648</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(177,415)	(54,291)	(231,706)
Land value increment tax	(509,365)	-	(509,365)
Unrealised gain on valuation	(9,666)	(12,217)	(21,883)
	<u>(696,446)</u>	<u>(66,508)</u>	<u>(762,954)</u>
	<u>(\$ 430,510)</u>	<u>(\$ 80,796)</u>	<u>(\$ 511,306)</u>

	Year ended December 31, 2015		
	January 1	Recognized in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,397	(\$ 9)	\$ 10,388
Provision for after-sale service	7,730	-	7,730
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	12,010	6,239	18,249
Unrealized provision for warranty	199,848	1,857	201,705
Others	25,420	(11,462)	13,958
	<u>269,311</u>	<u>(3,375)</u>	<u>265,936</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(166,453)	(10,962)	(177,415)
Land value increment tax	(509,365)	-	(509,365)
Unrealised gain on valuation	(21,971)	12,305	(9,666)
	<u>(697,789)</u>	<u>1,343</u>	<u>(696,446)</u>
	<u>(\$ 428,478)</u>	<u>(\$ 2,032)</u>	<u>(\$ 430,510)</u>

D. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

E. Unappropriated earnings:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Earnings generated in and before 1997	\$ 1,828,846	\$ 1,833,874
Earnings generated in and after 1998	<u>26,245,511</u>	<u>23,029,344</u>
	<u>\$ 28,074,357</u>	<u>\$ 24,863,218</u>

F. Integrated income tax system

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Balance of the imputation tax credit account	<u>\$ 4,063,805</u>	<u>\$ 3,398,334</u>
	<u>2016 (estimated)</u>	<u>2015 (actual)</u>
Tax deduction ratio of earnings distribution	<u>15.48%</u>	<u>20.13%</u>

The tax deduction ratio for 2016 was estimated based on the balance of the imputation tax credit account as of December 31, 2016. The Company determines the amount of imputation tax credit distributed to shareholders based on the balance of the imputation tax credit account at the date of share dividend distribution. Therefore, all imputation tax credits are subject to appropriate adjustments in accordance with the Income Tax Act prior to the date of dividend or earnings appropriation, in order to calculate the aforementioned tax deduction ratio on earnings generated in and after 1998.

(23) Earnings per share

	<u>Year ended December 31, 2016</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$10,740,039</u>	<u>546,179</u>	<u>\$ 19.66</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	10,740,039	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>421</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$10,740,039</u>	<u>546,600</u>	<u>\$ 19.65</u>

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 9,776,591	546,179	\$ 17.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	9,776,591	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	401	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 9,776,591	546,580	\$ 17.89

(24) Operating leases

A. Lessor

The Company leases its office building to related and non-related parties under operating lease agreements with terms between 2 to 6 years. Future expected rental income are as follows:

	December 31,	
	2016	2015
Up to 1 year	\$ 200,276	\$ 179,553
1 to 5 years	20,847	164,412
	\$ 221,123	\$ 343,965

B. Lesser

The Company leases business premises from related and non-related parties with lease terms between 3 and 10 years. Rental expenses recognized in operating expense for the years ended December 31, 2016 and 2015 are \$41,937 and \$42,619, respectively. Future expected rental expenses are as follows:

	December 31,	
	2016	2015
Up to 1 year	\$ 19,785	\$ 19,263
1 to 5 years	38,491	24,936
	\$ 58,276	\$ 44,199

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(a) Sales of goods:		
-Associates	\$ 104,603,728	\$ 96,514,656
-Subsidiaries	4,455,008	3,974,535
-Entities controlled by key management	<u>1,112</u>	<u>917</u>
	<u>\$ 109,059,848</u>	<u>\$ 100,490,108</u>

Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are provided in item 7 in Note 13(1) Significant transactions information.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(b) Service revenue:		
-Subsidiaries	\$ 888,473	\$ 999,404
-Associates	<u>27,193</u>	<u>27,284</u>
	<u>\$ 915,666</u>	<u>\$ 1,026,688</u>

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(c) Interest income:		
-Associates	\$ 50,862	\$ 53,328
-Subsidiaries	<u>1,650</u>	<u>1,637</u>
	<u>\$ 52,512</u>	<u>\$ 54,965</u>

Interest income is interest arising from sales between transaction dates and collection dates. Starting from July 3, 2016, the annual interest rate was adjusted to 2.275%. The annual interest rate along with interest accruing on a daily basis is 2.525% for the year ended December 31, 2015.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(d) Rental revenue:		
-Subsidiaries	\$ 107,492	\$ 108,243
-Associates	88,067	84,783
-Entities controlled by key management	<u>1,029</u>	<u>880</u>
	<u>\$ 196,588</u>	<u>\$ 193,906</u>

The Company entered into rental contracts based on normal conditions with related parties and collects rents monthly based on the contracts.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(e) Contracted operating revenue (listed as operating revenue)		
-Associates	\$ 25,756	\$ 26,233
	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(f) Warranty revenue (shown as deductions to warranty costs)		
-Entities controlled by key management	\$ 521,808	\$ 332,748
-Associates	333,866	169,230
-Subsidiaries	<u>15,560</u>	<u>14,157</u>
	<u>\$ 871,234</u>	<u>\$ 516,135</u>
	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(g) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates	\$ 229,513	\$ 237,222
-Entities controlled by key management	92,527	72,725
-Subsidiaries	<u>16,677</u>	<u>50,209</u>
	<u>\$ 338,717</u>	<u>\$ 360,156</u>
	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(h) Distribution income (shown as deductions on freight)		
-Associates	\$ 34,968	\$ 35,228
	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(i) Miscellaneous income		
-Associates	\$ 317,863	\$ 318,966
-Subsidiaries	134,621	136,486
-Entities controlled by key management	<u>33,588</u>	<u>38,583</u>
	<u>\$ 486,072</u>	<u>\$ 494,035</u>

B. Expenditure

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(a) Purchase of goods:		
-Associates	\$ 46,553,358	\$ 47,375,170
-Entities controlled by key management	37,977,273	29,673,415
-Subsidiaries	<u>1,209,319</u>	<u>1,103,962</u>
	<u>\$ 85,739,950</u>	<u>\$ 78,152,547</u>

The Company sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from Toyota Motor Corporation (“TMC”), Toyota Motor Asia Pacific Pte Ltd. (“TMAP”) and Toyota Motor Sales USA (“TMS”). Payment terms are provided in item 7 in Note 13(1) Significant transactions information.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(b) Interest expense:		
-Associates	<u>\$ 16,789</u>	<u>\$ 20,364</u>

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from July 3, 2016, the annual interest rate was adjusted to 1.875%. The annual interest rate along with interest accruing on a daily basis is 2.125% for the year ended December 31, 2015.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(c) Rental expenses:		
-Subsidiaries	\$ 18,820	\$ 15,148
-Associates	<u>6,026</u>	<u>6,099</u>
	<u>\$ 24,846</u>	<u>\$ 21,247</u>

The Company entered into the lease agreement with related parties based on the market price and the rent is paid on a monthly basis according to the agreement.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(d) Warranty cost:		
-Associates	\$ 638,610	\$ 437,252
-Subsidiaries	<u>197,770</u>	<u>133,532</u>
	<u>\$ 836,380</u>	<u>\$ 570,784</u>

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(e) Advertisement expense:		
-Associates	\$ 47,484	\$ 42,611
-Subsidiaries	18,832	6,610
-Entities controlled by key management	<u>6,480</u>	<u>9,528</u>
	<u>\$ 72,796</u>	<u>\$ 58,749</u>

C. Receivables from (payables to) related parties

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
(a) Receivables from related parties:		
-Associates	\$ 1,437,980	\$ 1,329,592
-Subsidiaries	162,989	160,050
-Entities controlled by key management	<u>34</u>	<u>170</u>
	<u>\$ 1,601,003</u>	<u>\$ 1,489,812</u>

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
(b) Other receivables from related parties:		
-Associates	\$ 125,713	\$ 371,179
-Subsidiaries	44,949	39,304
-Entities controlled by key management	<u>1,331</u>	<u>552</u>
	<u>\$ 171,993</u>	<u>\$ 411,035</u>

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
(c) Payables to related parties:		
-Entities controlled by key management	\$ 4,405,208	\$ 2,879,501
-Associates	1,109,533	548,864
-Subsidiaries	<u>149,125</u>	<u>115,978</u>
	<u>\$ 5,663,866</u>	<u>\$ 3,544,343</u>

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
(d) Other payables		
-Associates	\$ 144,034	\$ 250,378
-Subsidiaries	56,344	61,546
-Entities controlled by key management	<u>172</u>	<u>2,181</u>
	<u>\$ 200,550</u>	<u>\$ 314,105</u>

(2) Endorsements and guarantees provided to related parties:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
-Subsidiaries	<u>USD 91,400</u>	<u>USD 99,400</u>
	<u>TWD 7,828,544</u>	<u>TWD -</u>

(3) Key management remuneration

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	<u>\$ 333,604</u>	<u>\$ 411,489</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Details of operating lease agreements are provided in Note 6(24).

(2)Significant contracts signed by the Company as of December 31, 2016 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
Distributor agreement	Toyota Motor Corporation	January 1, 2016 to December 31, 2018 (Toyota)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
		March 1, 2016 to December 31, 2018 (Lexus)	
	Hino Motors, Ltd.	April 1, 2016 to March 31, 2021 (Hino)	
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2015 to May 14, 2018	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd.	Starting from July 1, 2009	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
	Kuozui Motors, Ltd.	Starting from June 1, 2002	
	Chang Yuan Motor Co., Ltd.	Starting from January 1, 2003	
		Except for termination signed by both parties, contracts remain effective.	

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the appropriation of retained earnings of 2016, please refer to Note 6(16).

12. OTHERS

(1)Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support operations and maximize returns for shareholders.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, accounts payable and other payables) are approximate to their fair values.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (please refer to Note 6(2)).

(b) Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Management has set up a policy to require management of foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company enters into forward exchange contracts, through finance department. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

ii. The Company's businesses involve some non-functional currency operations (the functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2016				
Foreign currency				
amount		Exchange	Book value	
(In thousands)		rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD 1,154	32.2500	\$	37,217
JPY:NTD	JPY 23,658	0.2756		6,520
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD 173,265	32.2500	\$	5,587,796
JPY:NTD	JPY 29,515	0.2756		8,134
December 31, 2015				
Foreign currency				
amount		Exchange	Book value	
(In thousands)		rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD 545	32.8250	\$	17,877
JPY:NTD	JPY 16,793	0.2727		4,580
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD 97,603	32.8250	\$	3,203,815
JPY:NTD	JPY 50,709	0.2727		13,828

iii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015, amounted to \$34,406 and \$116,987, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		Year ended December 31, 2016		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 372	\$ -
	JPY:NTD	1%	65	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	55,878	-
	JPY:NTD	1%	81	-

		Year ended December 31, 2015		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 179	\$ -
	JPY:NTD	1%	46	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	32,038	-
	JPY:NTD	1%	138	-

Price risk and interest rate risk

The Company's financial assets at fair value through profit or loss and available-for-sale financial assets are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard

payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal ratings are accepted.

- ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant loss from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the Company's finance department. Finance department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2016</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 1,193,250	\$ -	\$ -
Accounts payable	7,652,984	-	-
Other payables	1,844,853	-	-
<u>December 31, 2015</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 351,227	\$ -	\$ -
Accounts payable	5,511,267	-	-
Other payables	2,120,939	-	-

(3)Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(8).

B. The different levels of valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Company's equity investments with no active markets are included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,700,366	\$ -	\$ -	\$ 2,700,366
Forward exchange contracts	-	126,282	-	126,282
Available-for-sale financial assets				
Equity securities	<u>562,872</u>	<u>-</u>	<u>224,012</u>	<u>786,884</u>
	<u>\$ 3,263,238</u>	<u>\$ 126,282</u>	<u>\$ 224,012</u>	<u>\$ 3,613,532</u>

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 3,098,779	\$ -	\$ -	\$ 3,098,779
Forward exchange contracts	-	54,417	-	54,417
Available-for-sale financial assets				
Equity securities	<u>528,978</u>	<u>-</u>	<u>260,635</u>	<u>789,613</u>
	<u>\$ 3,627,757</u>	<u>\$ 54,417</u>	<u>\$ 260,635</u>	<u>\$ 3,942,809</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are as follows by characteristics:

	<u>Listed stocks</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active markets, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 260,635	\$ 296,575
Gains and losses recognized in other comprehensive income (Note)	(13,591)	(35,940)
Proceeds from capital reduction	(23,032)	-
At December 31	<u>\$ 224,012</u>	<u>\$ 260,635</u>

Note: Stated as Other comprehensive income, before tax, available-for-sale financial assets.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2016</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 224,012	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value
	<u>Fair value at December 31, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 260,635	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows (Information on investees is based solely on the reports of other independent accountants. Inter-company transactions are eliminated in the preparation of the consolidated financial statements.):

A. Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- (i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of December 31, 2016:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Contract Period	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 252,300	2017.1.13~ 2017.3.14	\$ 126,282	\$ 126,282
Hotai Finance Co., Ltd.	Currency swaps	USD 141,000	2017.4.11~ 2018.9.18	36,439	36,439
Hotai Finance Co., Ltd.	Currency swaps	JPY 3,100,000	2018.9.18	2,720	2,720

- (j) Significant inter-company transactions during the reporting periods: Please refer to table 7.

B. Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

C. Information on investments in Mainland China

- (a) Basic information: Please refer to table 9.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
 - i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - iii. The amount of property transactions and the amount of the resulting gains or losses: None.
 - iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.
 - v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds : Please refer to table 1.
 - vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

14. SEGMENT INFORMATION

Not applicable.

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HO TAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

Item	Description	Amount
Petty cash		\$ 250
Checking accounts		7,930
Demand deposits		45,481
-NTD		
-USD	USD 1,154 thousand, conversion rate 32.25	37,217
-JPY	JPY 23,658, conversion rate 0.2756	6,520
Cash equivalents		
Short-term notes and bills	Maturity 1 month, interest rates at 0.40%~0.45%	6,263,718
		<u>\$ 6,361,116</u>

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HO TAI MOTOR CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2016

(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

Item	Amount		Footnote
	Cost	Net realizable value	
Vehicles	\$ 3,748,283	\$ 3,863,336	
Parts	596,532	594,930	
Inventory in transit	1,209,578	1,209,578	
	5,554,393	<u>\$ 5,667,844</u>	
Less: Allowance for inventory obsolescence	(61,704)		
	<u>\$ 5,492,689</u>		

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HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

Investee	Balance at January 1, 2016		Additions		Deductions		Balance at December 31, 2016			Net equity value		Collateral pledged
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership (%)	Amount	Unit price (In dollars)	Total amount	
Hozan Investment Co., Ltd.	-	\$7,182,649	-	1,149,605	-	(\$ 85,115)	-	100.00%	\$ 8,247,139	\$ -	\$ 8,247,139	None
Kuozui Motors, Ltd.	103,800,000	4,822,743	-	1,796,050	-	(2,222,510)	103,800,000	30.00%	4,396,283	43	4,463,400	"
Chang Yuan Motor Co., Ltd.	238,112,973	3,271,595	26,887,027	310,363	-	-	265,000,000	100.00%	3,581,958	14	3,710,000	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	58,897,360	3,309,922	-	318,327	-	(293,524)	58,897,360	100.00%	3,334,725	57	3,357,150	"
Central Motor Co., Ltd.	15,000,000	2,338,547	-	123,553	-	(53,672)	15,000,000	20.00%	2,408,428	103	1,545,000	"
Ho Tai Development Co., Ltd.	24,710,856	1,791,597	-	289,206	-	(125,268)	24,710,856	45.01%	1,955,535	80	1,976,868	"
Tau Miao Motor Co., Ltd.	15,153,573	1,342,355	-	103,304	-	(39,399)	15,153,573	20.00%	1,406,260	63	954,675	"
Kau Du Automobile Co., Ltd.	22,161,150	1,287,020	-	79,363	-	(34,545)	22,161,150	20.00%	1,331,838	37	819,963	"
Carmax Co., Ltd.	12,240,000	944,275	10,710,000	393,713	-	(202,828)	22,950,000	51.00%	1,135,160	49	1,124,550	"
Taipei Toyota Motor Co., Ltd.	25,438,987	848,882	-	127,156	-	(57,907)	25,438,987	34.81%	918,131	44	1,119,315	"
Kuotu Motor Co., Ltd.	17,553,761	843,038	-	95,265	-	(23,409)	17,553,761	20.05%	914,894	52	912,796	"
Nan Du Motor Co., Ltd.	14,806,073	805,807	-	114,094	-	(49,040)	14,806,073	23.67%	870,861	59	873,558	"
Toyota Material Handling Taiwan Ltd.	44,490,027	695,994	4,326,902	102,932	-	(105,668)	48,816,929	100.00%	693,258	14	683,437	"
Eastern Motor Co., Ltd.	24,934,976	298,056	3,671,243	45,260	-	-	28,606,219	100.00%	343,316	12	343,275	"
Lang Yang Toyota Motor Co., Ltd.	2,000,000	276,321	-	11,954	-	(6,033)	2,000,000	20.00%	282,242	75	150,000	"
Formosa Flexible Packaging Corp.	1,007,609	259,852	-	5,420	-	(1,963)	1,007,609	45.54%	263,309	276	278,100	"
Shi-Ho Screw Industrial Co., Ltd.	211,433	134,188	-	13,836	-	(16,298)	211,433	21.14%	131,726	609	128,763	"
Yokohama Tire Taiwan Co., Ltd.	3,000	118,381	-	17,307	-	(16,157)	3,000	25.00%	119,531	41,083	123,249	"
Smart Design Technology Co., Ltd.	960,961	10,026	-	627	-	-	960,961	20.00%	10,653	11	10,571	"
		<u>\$ 30,581,248</u>		<u>\$ 5,097,335</u>		<u>(\$ 3,333,336)</u>			<u>\$ 32,345,247</u>			

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

Item	Balance as of January 1, 2016	Additions	Deductions	Reclassifications	Balance as of December 31, 2016	Guaranteed or Pledged as collateral
Land						
Cost	\$ 2,143,310	\$ -	\$ -	\$ -	\$ 2,143,310	None
Less: Accumulated impairment	(26,850)	-	-	-	(26,850)	"
Subtotal	2,116,460				2,116,460	"
Revaluation gain	931,497	-	-	-	931,497	"
Buildings and structures						
Cost	1,163,665	26,157	-	6,598	1,196,420	"
Revaluation gain	96	-	-	-	96	"
Utility equipment	128,832	-	-	-	128,832	"
Office equipment	510,485	53,627	(31,876)	-	532,236	"
Others	5,512	-	-	-	5,512	"
Rental assets	102,176	-	-	-	102,176	"
Construction in progress	4,814	3,074	-	(4,962)	2,926	"
	<u>\$ 4,963,537</u>	<u>\$ 82,858</u>	<u>(\$ 31,876)</u>	<u>\$ 1,636</u>	<u>\$ 5,016,155</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5

Item	Balance as of January 1, 2016	Additions	Deductions	Reclassifications	Balance as of December 31, 2016	Footnote
Buildings and structures	\$ 598,463	\$ 32,373	\$ -	\$ 608	\$ 631,444	
Utility equipment	125,909	596	-	-	126,505	
Office equipment	435,966	26,654	(31,741)	-	430,879	
Others	4,651	265	-	-	4,916	
Rental assets	102,165	6	-	-	102,171	
	<u>\$ 1,267,154</u>	<u>\$ 59,894</u>	<u>(\$ 31,741)</u>	<u>\$ 608</u>	<u>\$ 1,295,915</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

Item	Balance as of January 1, 2016	Additions	Deductions	Reclassifications	Balance as of December 31, 2016	Guaranteed or Pledged as collateral
Land						
Cost	\$ 755,900	\$ -	\$ -	\$ -	\$ 755,900	None
Revaluation gain	742,263	-	-	-	742,263	"
Buildings and structures						"
Cost	992,039	992	-	(1,636)	991,395	"
Revaluation gain	11,983	-	-	-	11,983	"
	<u>\$ 2,502,185</u>	<u>\$ 992</u>	<u>\$ -</u>	<u>(\$ 1,636)</u>	<u>\$ 2,501,541</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

<u>Item</u>	<u>Balance as of January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>Balance as of December 31, 2016</u>	<u>Footnote</u>
Buildings and structures	<u>\$ 433,265</u>	<u>\$ 26,394</u>	<u>\$ -</u>	<u>(\$ 608)</u>	<u>\$ 459,051</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

Item	Quantity	Amount	Footnote
Sales revenue of vehicles			
Sedan	119,995 cars	\$ 99,623,149	
Others	216 cars	516,981	
Sales revenue of parts		10,880,026	
Others		<u>1,298,458</u>	
Subtotal		112,318,614	
Sales returns and allowance		(<u>1,965,020</u>)	
		<u>\$ 110,353,594</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

Item	Description	Amount	Footnote
Initial inventories		\$ 1,633,305	
Add: Merchandise purchase		104,747,910	
Others		23,891	
Less: Ending inventories		(5,554,393)	
Reclassified to fixed assets and expenses		(16,664)	
Gain on physical inventory observation		(323)	
Others		(<u>6,871</u>)	
Operating costs		<u>\$ 100,826,855</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

Item	Description	Amount	Footnote
Wages and salaries		\$ 613,746	Including pension costs
Advertisement expense		684,571	
Freight		295,761	
Miscellaneous		445,932	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 2,040,010</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 11

Item	Description	Amount	Footnote
Wages and salaries		\$ 931,768	Including pension costs
Miscellaneous		308,250	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 1,240,018</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

Item	Description	Amount	Footnote
Net gain on financial assets at fair value through profit or loss		\$ 63,642	
Net currency exchange gain		34,406	
Depreciation charges on investment property	(26,394)	
Gain on disposal of investments		15,620	
Miscellaneous disbursements	(127)	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 87,147</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF FINANCE COSTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Interest expense		\$ <u>19,872</u>	

Note: As of December 31, 2016, the interest rate range of short-term loans were between 1.10% and 1.19%.

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HO TAI MOTOR CO., LTD.
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

STATEMENT 14

By nature	By function		Years ended December 31,			
	2016			2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ -	\$ 1,518,869	\$ 1,518,869	\$ -	\$ 1,542,395	\$ 1,542,395
Labour and health insurance fees	-	58,506	58,506	-	57,540	57,540
Pension costs	-	26,645	26,645	-	25,852	25,852
Other employee benefit expenses	-	81,338	81,338	-	77,851	77,851
Subtotal	-	1,685,358	1,685,358	-	1,703,638	1,703,638
Depreciation	-	86,288	86,288	-	93,836	93,836
Amortization	-	-	-	-	1,692	1,692

Note: As of December 31, 2016 and 2015, the Company had 562 and 567 employees, respectively.

Ho Tai Motor Co., Ltd.

Loans to others

Year ended December 31, 2016

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

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Yes	\$ 244,053	\$ 204,187	\$ 75	2.15%	Short-term financing	-	Operations	\$ -	None	\$ -	\$ 246,178	\$ 246,178	
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	376,248	232,031	-	2.15%	"	-	"	-	"	-	296,450	296,450	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	116,942	102,094	10	2.15%	"	-	"	-	"	-	146,554	146,554	
4	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	106,773	83,531	4,040	2.15%	"	-	"	-	"	-	106,369	106,369	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	564,372	510,468	27	2.15%	"	-	"	-	"	-	417,038	417,038	
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	49,742	46,406	-	2.15%	"	-	"	-	"	-	135,467	135,467	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	345,742	297,000	12	2.15%	"	-	"	-	"	-	240,569	240,569	
8	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	244,053	222,750	335	2.15%	"	-	"	-	"	-	233,106	233,106	
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	45,760	41,766	-	2.15%	"	-	"	-	"	-	91,059	91,059	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	10,169	6,961	4,869	2.15%	"	-	"	-	"	-	179,182	179,182	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	79,587	74,250	-	2.15%	"	-	"	-	"	-	209,789	209,789	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	"	99,483	92,812	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	"	223,838	208,828	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	"	177,955	125,297	6,820	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	"	127,111	69,609	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	"	198,967	185,625	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	223,838	208,828	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	"	198,967	185,625	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	"	223,838	208,828	-	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	"	137,280	116,016	36,764	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	"	167,786	153,141	106,885	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	"	24,871	23,203	5,986	4.35%	"	-	"	-	"	-	3,185,624	6,371,248	

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2016

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

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Subsidiary	\$ 12,931,873	\$ 7,828,544	\$ 7,828,544	\$ -	\$ -	18.16%	\$ 21,553,121	Y	N	N	Note 1
0	Ho Tai Motor Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	An indirect wholly-owned subsidiary	12,931,873	635,993	338,625	-	-	0.79%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	12,931,873	567,501	351,525	-	-	0.82%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	12,931,873	342,458	258,000	-	-	0.60%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	12,931,873	472,918	274,125	-	-	0.64%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	12,931,873	342,458	193,500	-	-	0.45%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	12,931,873	782,760	403,125	-	-	0.94%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	12,931,873	260,920	177,375	-	-	0.41%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	12,931,873	391,380	274,125	-	-	0.64%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	12,931,873	97,845	48,375	5,986	-	0.11%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	12,931,873	635,993	354,750	-	-	0.82%	21,553,121	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	12,931,873	538,148	274,125	-	-	0.64%	21,553,121	Y	N	Y	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Subsidiary	8,571,469	1,494,288	300,469	300,469	-	3.51%	8,571,469	Y	N	Y	Note 2

Note 1 : The limit on total endorsement is no more than 50% of the Company's total equity; the limit on endorsement to a single entity is no more than 30% of the Company's total equity.

Note 2 : The limit on total endorsement is no more than 100% of the Company's total equity; the limit on endorsement to a single entity is no more than 100% of the Company's total equity.
Net value is based on the amount included in the latest filing of financial statements and report of independent accounts.

Ho Tai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2016

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

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock—Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	\$ 474,195	0.17%	\$ 474,195	
	-Shihlin Electric & Engineering Corporation Etc.	None	"	-	88,678	0.00%~0.42%	88,678	
	Taian Insurance Co., Ltd. Etc.	-	"	-	224,011	0.04%~3.10%	224,011	
	Beneficiary certificates							
	-CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	45,809,780	\$ 500,000	-	\$ 500,032	
	-Mega Diamond Money Market Fund	Not applicable	"	48,320,591	600,000	-	600,059	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	"	48,872,129	500,000	-	500,104	
	-Jih Sun Money Market Fund	Not applicable	"	20,454,917	300,000	-	300,067	
	-FSITC Taiwan Money Market Fund	Not applicable	"	19,809,957	300,000	-	300,073	
	-Nomura Taiwan Money Market Fund	Not applicable	"	30,936,957	500,000	-	500,031	
			Valuation adjustment of financial assets		366		-	
			Total		\$ 2,700,366		\$ 2,700,366	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 2,767	0.50%	\$ 2,767	
	Beneficiary certificates							
	-Prudential Finanical Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	18,542,659	\$ 290,028	-	\$ 290,404	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	"	2,248,048	23,000	-	23,004	
			Valuation adjustment of financial assets		380		-	
			Total		\$ 313,408		\$ 313,408	
Chang Yuan Motor Co., Ltd.	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	16,616,816	\$ 170,000	-	\$ 170,038	
	-Mega Diamond Money Market Fund	Not applicable	"	30,607,007	380,000	-	380,087	
			Valuation adjustment of financial assets		125		-	
			Total		\$ 550,125		\$ 550,125	
Toyota Material Handling Taiwan Ltd.	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	34,196,730	\$ 348,092	-	\$ 349,932	
			Valuation adjustment of financial assets		1,840		-	
			Total		\$ 349,932		\$ 349,932	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 3,197	0.06%~0.50%	\$ 3,197	
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	33,584,671	343,000	-	\$ 343,669	
			Valuation adjustment of financial assets		669		-	
			Total		\$ 343,669		\$ 343,669	
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd.	-	Available-for-sale financial assets - non-current	-	\$ 909	-	\$ 909	
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,363	0.06%~0.61%	3,363	
	Beneficiary certificates							
	-Hua Nan Phoenix Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	14,287,752	230,000	-	230,232	
	-Yuanta Wan Tai Money Market Fund	Not applicable	"	3,332,778	50,000	-	50,027	
			"	4,583,246	50,000	-	50,028	
			Valuation adjustment of financial assets		287		-	
			Total		\$ 330,287		\$ 330,287	

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Service & Marketing Co., Ltd	Best Denki Co., Ltd.	None	Available-for-sale financial assets – non-current	2,862	\$ 8	0.03%	\$ 8	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 2,767	0.50%	\$ 2,767	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 2,767	0.50%	\$ 2,767	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	"	-	\$ 24,550	10.50%	\$ 24,550	

Ho Tai Motor Co., Ltd.

Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

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

Table 4

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investee	Balance as at January 1, 2016		Addition		Disposal			Balance as at December 31, 2016		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Ho Tai Motor Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	22,433,093	\$ 300,000	22,433,093	\$ 300,256	\$ 300,000	\$ 256	-	\$ -
Ho Tai Motor Co., Ltd.	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	18,805,123	300,000	18,805,123	300,241	300,000	241	-	-
Ho Tai Motor Co., Ltd.	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	18,617,582	300,000	30,936,957	500,000	18,617,582	300,393	300,000	393	30,936,957	500,000
Ho Tai Motor Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	69,048,185	700,000	58,661,463	600,000	78,837,519	805,814	800,000	5,814	48,872,129	500,000
Ho Tai Motor Co., Ltd.	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	61,610,189	900,000	20,454,917	300,000	61,610,189	902,830	900,000	2,830	20,454,917	300,000
Ho Tai Motor Co., Ltd.	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	2,838,732	500,000	-	-	2,838,732	501,067	500,000	1,067	-	-
Ho Tai Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	47,947,204	590,022	48,320,591	600,000	47,947,204	594,747	590,022	4,725	48,320,591	600,000
Ho Tai Motor Co., Ltd.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	19,809,957	300,000	-	-	-	-	19,809,957	300,000
Ho Tai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	45,809,780	500,000	-	-	-	-	45,809,780	500,000
Ho Tai Motor Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	6,220,646	100,000	32,938,344	530,000	24,871,238	400,077	400,000	77	14,287,752	230,000
Hozan Investment Co.,	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	19,819,766	310,000	1,277,107	20,000	19,972	28	18,542,659	290,028
Chang Yuan Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	30,607,007	380,000	-	-	-	-	30,607,007	380,000

Ho Tai Motor Co., Ltd.
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared		Notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount			Unit price	Credit term		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 23,057,057	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 346,479	21%
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	21,113,662	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	196,873	12%
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	16,924,153	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	198,448	12%
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	15,022,821	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	252,749	15%
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	13,217,116	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	233,487	14%
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	12,961,396	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	189,933	12%
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,204,526	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	14,607	1%
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,287,846	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	16,996	1%
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	1,483,619	1%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	"	111,623	7%
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	847,989	1%	Collection at sight	Normal	"	25,371	2%
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	45,838,144	44%	7 days end of week, interest bearing from transaction date	Not applicable	"	(588,523)	8%
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	"	34,867,033	33%	Closes its accounts 15 days after the end of each month	"	"	(4,023,207)	53%
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	"	"	2,104,897	2%	Closes its accounts 15 days after the end of each month	"	"	(266,918)	3%
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,209,170	1%	Closes its accounts 16 days after the end of each month	"	"	(149,125)	2%
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	703,987	1%	Closes its accounts 16 days after the end of each month	"	"	(76,589)	1%
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	332,143	-	Closes its accounts 15 days after the end of each month	"	"	(8,425)	-
Ho Tai Motor Co., Ltd.	Toyota Motor Sale USA	"	"	673,199	1%	Closes its accounts 15 days after the end of each month	"	"	(106,658)	1%
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	1,483,619	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(111,623)	23%
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	6,979,220	69%	7 days after invoice date	"	"	(101,343)	21%
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Sales	536,955	5%	14 days after invoice date	Normal	"	47,918	2%
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	382,119	3%	Collection at sight	"	"	-	-
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	145,057	1%	7 days after invoice date	"	"	3,651	-
Toyota Material Handling Taiwan Ltd.	Toyota Industries Coproration	Entity controlled by the Company's key management	Purchases	263,226	57%	Closes its accounts 15 days after the end of each month	Not applicable	"	(28,926)	56%
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Sales	1,209,170	21%	Closes its accounts 16 days after the end of each month	Normal	"	149,125	16%
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	"	646,374	11%	Closes its accounts 35 days after the end of each month	"	"	150,425	16%
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	543,090	10%	Closes its accounts 35 days after the end of each month	"	"	118,616	13%
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	"	"	501,012	9%	Closes its accounts 25 days after the end of each month	"	"	57,944	6%
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd.	"	"	377,741	7%	Closes its accounts 40 days after the end of each month	"	"	78,227	8%
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	367,996	7%	Closes its accounts 40 days after the end of each month	"	"	70,004	8%
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	"	186,250	3%	Closes its accounts 30 days after the end of each month	"	"	17,366	2%
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	"	"	227,440	4%	Closes its accounts 40 days after the end of each month	"	"	50,075	5%
Carmax Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Purchases	235,931	5%	Closes its accounts 21 days after the end of each month	"	"	(14,555)	2%
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	"	"	6,412,068	16%	Payment at sight	"	"	(101,057)	20%
Hotai Finance Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	4,705,844	11%	Payment at sight	"	"	(350)	0%
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	5,357,020	13%	Payment at sight	"	"	(125,745)	25%
Hotai Finance Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	4,146,810	10%	Payment at sight	"	"	(97,378)	20%
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	4,041,610	10%	Payment at sight	"	"	(77,556)	16%

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hotai Finance Co., Ltd.	Nan Du Motor Co., Ltd.	Associates	Purchases	\$ 3,430,196	8%	Payment at sight	Normal	Normal	(\$ 21,119)	4%	
Hotai Finance Co., Ltd.	Eastern Motor Co., Ltd.	"	"	759,566	2%	Payment at sight	"	"	(2,040)	-	
Hotai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	604,473	1%	Payment at sight	"	"	(5,460)	1%	
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	847,989	8%	Payment at sight	"	"	(25,371)	24%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	"	1,307,233	12%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,113,313	10%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	895,299	8%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	"	"	837,637	8%	Payment at sight	"	"	(656)	1%	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	735,038	7%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	595,541	5%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	382,119	3%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Horung Motor Co., Ltd.	"	"	173,246	2%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Hohung Motors Co., Ltd.	"	Sales	110,246	2%	3 days after invoice date	"	"	548	-	"
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	"	174,027	39%	Closes its accounts 60 days after the end of each month	"	"	28,619	52%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	Purchases	174,027	2%	Closes its accounts 60 days after the end of each month	"	"	(28,619)	12%	
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	2,204,526	90%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(14,607)	75%	
Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	Associates	Sales	759,566	29%	Collection at sight	"	"	2,040	2%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	2,640,443	96%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,783,536	94%	Payment in advance	"	"	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,329,530	94%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,282,184	99%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	892,199	98%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	167,225	14%	Payment in advance	"	"	-	-	

Note: Hotai Leasing Co., Ltd. purchases vehicles for renting services, the related assets are reported under property, plant, and equipment.

Ho Tai Motor Co., Ltd.
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			December 31, 2016			Amount	Action taken		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 346,479	72.65	\$ -	None	\$ 346,479	\$ -
			Other receivables	\$ 6,243					
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Accounts receivable	\$ 196,873	92.92	-	"	196,873	-
			Other receivables	\$ 5,904					
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable	\$ 198,448	79.44	-	"	198,448	-
			Other receivables	\$ 5,053					
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	\$ 252,749	66.96	-	"	252,749	-
			Other receivables	\$ 4,399					
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	\$ 233,487	73.69	-	"	233,487	-
			Other receivables	\$ 4,408					
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	\$ 189,933	64.46	-	"	189,933	-
			Other receivables	\$ 37,894					
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	\$ 111,623	14.77	-	"	111,623	-
			Other receivables	\$ 15,596					
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent Company	Accounts receivable	\$ 149,125	9.13	-	"	149,125	-
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Accounts receivable	\$ 150,425	35.76	-	"	150,425	-
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	Accounts receivable	\$ 118,616	48.22	-	"	118,616	-

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 1,483,619	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	886,945	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Warranty cost	187,830	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	111,623	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	847,989	Collection sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales allowances	225,186	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	92,165		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	149,125		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,204,526	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	"	382,119	Collection sight	-
1	Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accrued expenses	87,539		-
2	Hotai Leasing Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	69,509		-
4	Ho Tai Development Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	91,261		-
5	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	777,803	Collection sight	-
6	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	1,209,170	Closes its accounts 16 days after the end of each month	1%
6	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accounts receivable	149,125		-
7	Ho Tai Service & Marketing Co., Ltd	Ho Tai Development Co., Ltd.	3	Sales revenue	174,027	Closes its accounts 60 days after the end of each month	-
8	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other receivables	106,885		-
9	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	87,797		-

Note 1 : The numbers filled for inter-company transactions are as follows:

- 1.The parent company is numbered "0".
- 2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

- 1.The parent company to the subsidiary.
- 2.The subsidiary to the parent company.
- 3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at eneding period;
Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2016

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

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
				Balance at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 650,182	\$ 650,182	-	100.00	\$ 8,247,139	\$ 1,131,332	\$ 1,131,439	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	4,396,283	5,950,897	1,780,424	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,849,866	58,897,360	100.00	3,334,725	318,327	318,327	Subsidiaries
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	265,000,000	100.00	3,581,958	292,490	292,490	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,969	2,098,969	15,000,000	20.00	2,408,428	602,112	117,348	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	1,955,535	628,946	289,206	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,333,514	1,333,514	15,153,573	20.00	1,406,260	452,959	85,918	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,331,838	421,250	78,047	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,135,160	771,752	393,594	Subsidiary
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	918,131	348,209	121,211	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.05	914,894	460,122	92,254	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	870,861	473,291	112,028	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	"	50,000	50,000	48,816,929	100.00	693,258	102,932	102,932	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	"	80,000	80,000	28,606,219	100.00	343,316	44,443	44,443	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	282,242	63,182	11,954	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	5,557	5,557	1,007,609	45.54	263,309	11,900	5,419	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	131,726	65,450	13,836	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes.	3,000	3,000	3,000	25.00	119,531	69,230	17,308	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	10,653	3,133	627	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	112,875	112,875	3,500,000	70.00	94,827	8,162	-	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
				Balance at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership				
							(%)	Book value			
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	\$ 38,700	\$ 38,700	1,200,000	40.00	\$ -	(\$ 15,625)	\$ -	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	779,742	\$ 779,742	231,183,006	66.03	5,681,580	1,271,973	-	Subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of light passenger vehicles	181,907	181,907	70,395,061	66.04	1,971,404	450,576	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,475,571	18.29	276,443	71,235	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	"	Trading of used vehicles	-	12,000	-	-	-	13,388	-	Note
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	0.00	96	348,209	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	488,588	488,588	15,150,000	50.50	701,743	131,378	-	Subsidiary
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Taiwan	Trading of used vehicles	-	20,400	-	-	-	2,335	-	Note
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	"	"	-	30,600	-	-	-	13,857	-	"
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	"	"	-	18,600	-	-	-	13,388	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	478,912	478,912	14,850,000	49.50	687,008	131,378	-	Subsidiary
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	"	96,750	96,750	3,000,000	100.00	123,399	(1,623)	-	"
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their parts	50,000	50,000	5,000,000	100.00	238,577	73,080	-	"
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	"	Advertisement making	2,400	2,400	240,000	30.00	1,091	1,901	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating.	8,820	8,820	882,000	49.00	8,125	2,176	-	"
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	32,472	3,133	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	15,248	12,320	-	"
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	96,750	96,750	3,000,000	100.00	123,399	(1,623)	-	"

Note: The Company lost the power of control of that company in the fourth quarter of 2016. Please refer to the consolidated financial statements Note 4(3).

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Year ended December 31, 2016

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

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 2,516,951	Note 1.1	\$ 369,263	\$ -	\$ -	\$ 369,263	\$ 300,865	100.00	\$ 300,865	\$ 3,185,624	\$ -	Note 2.2
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	108,683	Note 1.1 Note 1.5	108,683	-	-	108,683	28,560	100.00	28,560	246,178	-	"
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	"	139,218	Note 1.1	11,852	-	-	11,852	-	10.50	-	11,852	13,327	"
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	"	96,750	Note 1.2	32,250	-	-	32,250	(15,625)	40.00	(1,599)	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	193,500	Note 1.1	193,500	-	-	193,500	78,085	100.00	78,085	417,038	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	96,750	"	96,750	-	-	96,750	41,395	100.00	41,395	146,554	-	"
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	161,250	Note 1.2	112,825	-	-	112,825	8,162	70.00	5,713	94,827	-	"
Shanghai Heling Motor Service Co., Ltd.	"	112,875	Note 1.3	84,656	-	-	84,656	97,567	100.00	97,567	296,450	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	139,218	Note 1.1	12,698	-	-	12,698	-	10.50	-	12,698	-	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	141,900	Note 1.7	141,900	-	-	141,900	(1,638)	100.00	(1,638)	106,369	-	"
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	299,925	Note 1.1	299,925	-	-	299,925	(22,569)	100.00	(22,569)	91,059	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	187,050	"	187,050	-	-	187,050	39,852	100.00	39,852	240,569	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	209,625	"	209,625	-	-	209,625	37,700	100.00	37,700	233,106	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	967,500	Note 1.6	967,500	-	-	967,500	131,378	66.03	86,758	916,829	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	46,406	Note 1.4	-	-	-	-	2,473	66.03	1,633	32,206	-	"
He Zhan Development Co., Ltd.	Trading of air conditoning equipment	96,750	Note 1.6	96,750	-	-	96,750	(1,623)	45.01	(859)	55,539	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	387,000	Note 1.4	-	-	-	-	6,754	100.00	6,754	209,789	-	Note 2.2
Tianjin Hozhan Motor Service Co., Ltd.	"	318,345	"	-	-	-	-	9,104	100.00	9,104	179,182	-	"
Linyi Hoyu Toyota Motor Sales and Service Co., Ltd.	"	387,000	"	-	-	-	(4,695)	35.00	(1,643)	72,794	-	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,893	Note 1.7	42,893	-	-	42,893	37,224	51.00	18,984	125,245	-	"
Guangzhou Gac Changho Autotech Corporation	"	102,985	"	46,343	-	-	46,343	51,117	22.95	11,731	80,006	5,218	"
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	322,500	Note 1.4	-	-	-	-	9,408	35.00	3,293	49,641	-	"
Taizhou Kaudu Lexus Motor Sale Service Co.,Ltd.	"	483,750	"	-	-	-	(476)	35.00	(167)	122,900	-	-	Note 2.3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	\$ 387,000	Note 1.4	\$ -	\$ -	\$ -	\$ -	\$ 21,000	35.00	\$ 7,350	\$ 82,290	\$ -	Note 2.2
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	"	354,750	"	-	-	-	(37,674)	(37,674)	35.00	(13,186)	59,985	-	Note 2.3
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	13,922	"	-	-	-	-	5,179	60.00	3,108	10,439	-	Note 2.2
Shanghai Guangxin Cultural Media Co., Ltd	Design and production of advertisements	4,641	"	-	-	-	-	735	100.00	735	5,343	-	"

Note 1: The investmets are classified as follows:

- 1.Through investment in an existng company located in third area.
- 2.Investment in Mainland China companies through a company invested and established in a third region.
- 3.Investment in Mainland China companies through an existing company established in a third region and Mainland China.
- 4.Investment in Mainland China companies through an existing company established in Mainland China.
- 5.Including 25% of Shanghai Heling Motor Service Co., Ltd. shares with a book value of \$74,113 thousand.
- 6.Investment in Mainland China companies through a company invested and established in a third region by the subsidiary.
- 7.Direct investment in Mainland China.

Note 2 : The amount of investment income (loss) recognized for the year ended December 31, 2016 is based on:

- 1.The financial statements were audited by R.O.C parent company's CPA.
- 2.The financial statements were audited by other independent accountants in PricewaterhouseCoopers, Taiwan.
- 3.Others.

Note 3: Related amounts in the following table are expressed in NT\$.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ho Tai Motor Co., Ltd.	\$ 1,763,298	\$ 2,929,416	\$ 30,347,454