HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES

CONSOLIDATED 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. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015

CONTENTS

Items	Page
1. Cover	1
2. Contents	2
3. Declaration of consolidated financial statements of affiliated enterprises	3
4. Report of independent accountants	4~9
5. Consolidated balance sheets	10~11
6. Consolidated statements of comprehensive income	12~13
7. Consolidated statements of changes in equity	14
8. Consolidated statements of cash flows	15
9. Notes to the consolidated financial statements	16~73
(1) History and organization	16
(2) The date of authorization for issuance of the consolidated financial statements and procedures for authorization	16
(3) Application of new standards, amendments and interpretations	16~19
(4) Summary of significant accounting policies	20~36
(5) Critical accounting judgements, estimates and key sources of assumption uncertainty	36~37
(6) Details of significant accounts	37~56
(7) Related party transactions	56~60
(8) Pledged assets	60
(9) Significant contingent liabilities and unrecognized contract commitments	61
(10) Significant disaster loss	61
(11) Significant events after the balance sheet date	62
(12) Others	62~70
(13) Supplementary disclosures	70~71
(14) Segment information	71~73

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2016, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Ho Tai Motor Co., Ltd.

March 28, 2017

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR16000311
To the Board of Directors and Shareholders
Ho Tai Motor Co., Ltd.

Opinion

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

In our opinion, based on our audits and the report of other independent accountants (please refer to "other matter" section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standard Interpretations Committee (SIC) Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

<u>Description</u>

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

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

When accounts receivable are past due over 30 days, Hotai Finance Co., Ltd. already considers the collectability of those accounts in doubt. In addition to enhancing collection progress from customers, management also assesses the collectability of each individual account based on the probability of overdue accounts becoming impaired over the past 5 years. 15%~100% of provision for impairment is provided for those doubtful accounts receivable depending on the length of overdue days. As the result, evaluation of provision for impairment of accounts receivable was identified as a key audit matter.

<u>How our audit addressed the matter</u>

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

1. Understood the policy of provision for impairment of accounts receivable and the calculation process in the accounting system in Hotai Finance Co., Ltd.. Sampled and tested the accuracy of accounts receivable aging report.
2. For those accounts past due over 30 days, Hotai Finance Co., Ltd. will estimate and recognize the impairment of account receivable based on the probability of overdue

accounts becoming impaired over the past 5 years and Hotai Finance Co., Ltd.'s policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past 5 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

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

How our audit addressed the matter

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

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

2. Obtained maintenance records for each car model sold within 4 years, and calculated the possibility of warranty claimed from each car model.

3. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme as aforementioned. Evaluated the reasonableness of provision for warranty by considering the customer return rate and warranty claimed cost from each car model.

Emphasis of matter - acquisition after balance sheet date

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

Other matter – Using the work of other independent accountants

We did not audit the financial statements of investments recognized under the equity method that are included in the financial statements. Investments using equity methods amounted to NT$ 5,189,047 and NT$ 5,067,014 on December 31, 2016 and 2015, constituting 2.90% and 3.10% of consolidated total assets, respectively. For the year ended December 31, 2016 and 2015, the comprehensive income amounted to NT$ 308,221 thousand and NT$ 306,437 thousand on December 31, 2016 and 2015, constituting 2.67% and 2.83% of consolidated total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

CHIN-MU, HSIAO　　　　CHIEN-HUNG, CHOU

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)

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

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)

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

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

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

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

	Items	Notes	2016 Amount	2016 %	2015 Amount	2015 %
	Other comprehensive income (loss) for the year, net of tax					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive loss		$ 7,937	-	($ 64,585)	-
8310	**Total components of other comprehensive loss that will not be reclassified to profit or loss**		7,937	-	(64,585)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(350,807)	-	(29,925)	-
8362	Unrealized gain (loss) from available-for-sale financial assets	6(3)	20,345	-	(93,334)	-
8363	Gain (loss) on effective portion of cash flow hedges	6(4)	(11,839)	-	13,905	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method - components of other comprehensive income		(179,996)	-	106,280	-
8399	Income tax related to components of other comprehensive income	6(29)	1,394	-	(2,364)	-
8360	**Total components of other comprehensive loss that will be reclassified to profit or loss**		(520,903)	-	(5,438)	-
8300	**Other comprehensive loss for the year, net of tax**		($ 512,966)	-	($ 70,023)	-
8500	**Total comprehensive income for the year**		$ 11,545,933	7	$ 10,812,470	7
	Profit attributable to:					
8610	Owners of parent		$ 10,740,039	6	$ 9,776,591	6
8620	Non-controlling interests		1,318,860	1	1,105,902	1
			$ 12,058,899	7	$ 10,882,493	7
	Comprehensive income attributable to:					
8710	Owners of parent		$ 10,301,281	6	$ 9,706,323	6
8720	Non-controlling interests		1,244,652	1	1,106,147	1
			$ 11,545,933	7	$ 10,812,470	7
	Earnings per share (in dollars)	6(30)				
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 these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

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

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

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

	Notes	2016	2015
Cash flows from operating activities			
Consolidated profit before income tax		$ 14,547,385	$ 13,220,766
Adjustments to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(26)	(65,691)	68,579
Bad debts expense and financial guarantee expense		1,041,894	861,933
Depreciation	6(9)(10)(27)	8,320,543	8,928,881
Amortization	6(27)	17,216	17,702
Provision for (reversal of) loss on rental assets	6(9)	34,307	(771)
Net loss (gain) on disposal of property, plant and equipment	6(26)	(1,915)	15,557
Share of profit of associates accounted for using equity method	6(8)	(2,467,474)	(2,478,143)
Loss on disposal of investments accounted for using equity method	7	1,187	-
Interest expense		1,491,352	1,623,110
Interest income	6(23)(25)	(3,774,464)	(3,218,082)
Unrealized profit from sales		35,418	49,409
Realized profit from sales		(49,409)	(21,542)
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		(842,930)	(744,785)
Notes and accounts receivable		(10,175,448)	(10,593,981)
Inventories		898,876	4,016,097
Prepayments		(1,730,582)	(1,496,410)
Other receivables		(226,184)	81,214
Other current assets		4,049	25,231
Net changes in liabilities relating to operating activities			
Notes and accounts payable		2,957,412	3,165,026
Other payables		484,653	(1,039,572)
Other current liabilities		532,909	298,671
Other non-current liabilities		249,660	665,619
Cash generated from operations		11,282,764	13,444,509
Cash dividends received		2,423,463	2,265,502
Interest paid		(1,465,532)	(1,659,478)
Income tax paid		(2,242,925)	(1,967,806)
Interest received		3,767,783	3,217,981
Net cash provided by operating activities		13,765,553	15,300,708
Cash flows from investing activities			
Proceeds from capital reduction of available-for-sale financial assets		$ 23,032	$ -
Proceeds from disposal of investments accounted for using equity method	7	144,439	-
Decrease in cash due to changes in consolidated entities		(47,428)	-
Acquisition of property, plant and equipment	6(9)	(12,447,019)	(12,735,512)
Proceeds from disposal of property, plant and equipment		29,259	75,972
Insurance compensation from disposal of property, plant and equipment		33,597	34,132
(Increase) decrease in other assets - others		(16,015)	230,779
Acquisition of investment property	6(10)	(2,166)	(373)
Acquisition of available-for-sale financial assets		(441)	(32,526)
Repayment of investments		-	8,862
Net cash used in investing activities		(12,282,742)	(12,418,666)
Cash flows from financing activities			
Increase (decrease) in short-term loans		3,050,102	(3,643,686)
Increase in short-term notes and bills payable		4,384,695	11,783,577
Proceeds from long-term loans		2,463,623	2,809,941
Repayment of long-term loans		(3,122,645)	(4,636,225)
Changes in non-controlling interests		(51,377)	(384,435)
Cash dividends paid	6(22)	(6,554,150)	(5,734,881)
Net cash used in financing activities		170,248	194,291
Net effect of changes in foreign currency exchange rates		(35,006)	41,566
Increase in cash and cash equivalents		1,618,053	3,117,899
Cash and cash equivalents at beginning of year		10,406,462	7,288,563
Cash and cash equivalents at end of year		$ 12,024,515	$ 10,406,462

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED 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.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in import, trading, selling and repairing of vehicles and their parts, as well as installment sales and leases of vehicles and sales of used vehicles.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated 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 Group.

New and revised standards, interpretations and amendments endorsed by the FSC effective from

2017 are as follows:

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
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

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
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
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

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

Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions. Based on the Group's assessment, the amendments will result in a increase of disclosure information for asset impairment.

(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:

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendment to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January1 ,2018

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
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 (amendment to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendment 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
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 Group's financial condition and operating results based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ‘rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. 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.

C. 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 goods or services) 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.

D. 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.

E. 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 consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(f) The consolidated financial statements are prepared based on the valuation and disclosures of the entities' financial statements audited by the independent accountants.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Investee	Main business activities	December 31, 2016	December 31, 2015	Note
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Reinvestment in Mainland China, trading and repairing of vehicles and their parts	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Reinvestment company	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	50.23	Note 3
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	Note 1 Note 2
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	Reinvestment in Mainland China, trading and repairing of vehicles and their parts	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	-	100.00	Note 4
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	-	100.00	Note 4
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	100.00	100.00	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Note
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	Note 4
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	Note 4
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co.,Ltd.	Designing and manufacturing of various kinds of advertisements	100.00	-	Note 5
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	66.03	66.03	
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	-	20.00	Note 6
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Trading of used vehicles	-	51.00	Note 6
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	-	31.00	Note 6
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	Trading of used vehicles	-	51.00	Note 6
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	Note 1
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Note
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	Note 2
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	

Note 1: The Group holds more than 50% shareholding in the subsidiary.

Note 2: In October 2015, the Group acquired 81.77% shareholding in Smart Design Technology Co., Ltd. using purchase method.

Note 3: Ho Tai Development Co., Ltd. increased its capital in the first quarter of 2016. The Company did not participate in the capital increase by cash. As of December 31, 2016, the Company held 45.01% of the total issued shares of Ho Tai Development Co., Ltd. and held more than half of board seats of Ho Tai Development Co., Ltd., thus, the subsidiary was included in the consolidated financial statements.

Note 4: The share ownership was transferred to the subsidiary, Hotong Motor Investment Co., Ltd., in the first quarter of 2016 due to the reorganization of the entities in China.

Note 5: The investee was newly established in the second quarter of 2016.

Note 6: The Group lost its control to those subsidiaries after selling the equity of Hojung Motors Co., Ltd., Horung Motors Co., Ltd. and Hohung Motors Co., Ltd. to associates in the fourth quarter of 2016. Subsequently, gains and losses related were not included in the consolidated statements of comprehensive income.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

As of December 31, 2016 and 2015, the non-controlling interest amounted to $7,472,847 and $6,412,823, respectively. The information of non-controlling interest that are material to the

Group and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2016		December 31, 2015	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	$ 2,911,470	33.967%	$ 2,908,779	33.967%
Hotai Leasing Co., Ltd.	Taiwan	1,003,160	33.958%	902,740	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 92,686,324	$ 84,459,477
Non-current assets	3,009,611	4,431,308
Current liabilities	(81,302,185)	(74,734,890)
Non-current liabilities	(5,135,049)	(5,592,351)
Total net assets	$ 9,258,701	$ 8,563,544

	Hotai Leasing Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 2,059,270	$ 1,904,882
Non-current assets	23,578,447	23,900,235
Current liabilities	(10,488,012)	(11,416,027)
Non-current liabilities	(12,195,805)	(11,730,910)
Total net assets	$ 2,953,900	$ 2,658,180

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2016	2015
Revenue	$ 11,954,771	$ 12,582,202
Profit before income tax	1,688,479	1,512,929
Income tax expense	(338,235)	(310,245)
Profit for the year	1,350,244	1,202,684
Other comprehensive loss for the year, net of tax	(130,250)	(1,013)
Total comprehensive income for the year	$ 1,219,994	$ 1,201,671
Comprehensive income attributable to non-controlling interests	$ 414,395	$ 408,172

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2016	2015
Revenue	$ 15,764,318	$ 15,118,913
Profit before income tax	574,792	492,993
Income tax expense	(124,216)	(171,324)
Profit for the year	450,576	321,669
Other comprehensive loss for the year, net of tax	(57,956)	(6,167)
Total comprehensive income for the year	$ 392,620	$ 315,502
Comprehensive income attributable to non-controlling interests	$ 133,326	$ 107,138

Statements of cash flows

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2016	2015
Net cash used in operating activities	($ 5,405,576)	($ 7,433,321)
Net cash used in investing activities	(874,020)	(415,406)
Net cash provided by financing activities	6,269,644	7,047,654
Net effect of changes in foreign currency exchange rates	(39,472)	105,108
Decrease in cash and cash equivalents	(49,424)	(695,965)
Cash and cash equivalents, beginning of year	521,686	1,217,651
Cash and cash equivalents, end of year	$ 472,262	$ 521,686

	Hotai Leasing Co., Ltd.	
	Years ended December 31,	
	2016	2015
Net cash provided by operating activities	$ 11,618,621	$ 11,075,162
Net cash used in investing activities	(10,945,226)	(11,303,123)
Net cash (used in) provided by financing activities	(732,488)	252,766
(Decrease) increase in cash and cash equivalents	(59,093)	24,805
Cash and cash equivalents, beginning of year	256,199	231,394
Cash and cash equivalents, end of year	$ 197,106	$ 256,199

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar ("NTD"), which is the Company's functional and the Group's 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 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 group entities, associates and jointly arrangements 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, even the Group still retains partial interest in the former foreign associate or jointly 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 Group 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.

(5) Classification of current and non-current items

Consolidated subsidiaries are engaged in installment sales, and the operating cycle usually exceeds 1 year. The consolidated subsidiaries use the operating cycle as its criterion for classifying current or non-current assets and liabilities related to installment sales. For other assets and liabilities, the criteria are as follows:

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 settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled 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.

(6) 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.

(7) 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. 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.

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.

(8) 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.

(9) 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.

(10) Impairment of financial assets

A. The Group 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 Group 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 Group, 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 Group 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.

(11) Derecognition of financial assets

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

(12) Lease receivables/ operating leases (lessor)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Except for the cost of inventories of Ho Tai Development Co., Ltd. which is determined using the weighted-average method, the cost of inventories of all other entities in the group is determined using the moving average method. 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.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group 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.

B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. 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 Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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 Group'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.

F. When the Group 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.

(15) 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 Group 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 using 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	5 ～ 10 years
Office equipment	2 ～ 20 years
Machinery and equipment	4 ～ 10 years
Rental assets	2 ～ 10 years
Leasehold improvements	4 ～ 35 years

(16) Operating 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.

(17) 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.

(18) Impairment of non-financial assets

The Group 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 recognising 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.

(19) 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.

(20) 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.

(21) Financial liabilities at fair value through profit or loss

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

(22) 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.

(23) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(24) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date and subsequently measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(25) Derivative financial instruments and hedging activities

A. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

B. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

C. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

E. Cash flow hedge

(a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within 'other gains and losses'.

(b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of comprehensive income within 'finance costs'.

(c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(26) Provisions

Provisions (provision for warranties) are recognized when the Group 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.

(27) Employee benefits

A. Short-term employee 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

Defined contribution plans

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. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment.

D. 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.

(28) 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 and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. 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 consolidated 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 Group 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.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) 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.

(30) 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; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

A. Sales of goods

(a) The Group 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 Group's activities. Revenue arising from the sales of goods is recognized when the Group 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 Group 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.

(b) The Group has customer loyalty programmes where the Group grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

(c) Engagement of installment payments for vehicles - the subsidiary, Hotai Finance Co., Ltd. engages in installment sales which mainly aims to receive interest income rather gross profit. There is no gross profit from such transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when the transaction occurs. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, and interest is recognized using interest method annually over the installment period. Furthermore, the commission expense related to installment payments is deferred (shown under 'prepayments') and amortized over the term of the installment payments. Other related cost is recognized as current expenses when incurred.

B. Sales of services

The Group provides services related to vehicles and air conditioner for vehicles. Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the proportion of contract costs incurred for services performed as of the financial reporting date to the estimated total costs for the service contract. If the outcome of a service contract cannot be estimated reliably, contract revenue is recognized only to the extent that contract costs incurred are likely to be recoverable.

C. A sale agreement comprising of multiple components

A sale agreement offered by the Group might comprise of multiple components, including sale of goods and subsequent repair services, etc. If a sale agreement comprises of multiple identifiable components, the fair value of the consideration received or receivable in respect of the sale agreement shall be allocated between those components based on the relative fair value of each component. The amount of proceeds allocated to each component is recognized as revenue in profit or loss following the revenue recognition criteria applied to each component. The fair value of each component is determined by its market value when it is sold separately.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group 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 Group 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 3-year or 100 thousand-kilometer limited warranty offered by original manufacturer, the Company provides extra 4^{th} 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(18) "Provisions" for more information.

C. Doubtful accounts valuation of accounts receivable

The provision for doubtful accounts of accounts receivable is recognised individually when the accounts receivable becomes past due and deemed unrecoverable by assessing the customer's financial status or payment history. Other accounts receivable that were past due were provided for doubtful accounts based on historical experience proportion determined by ageing. The valuation of provision is a reasonable prediction of future events at the balance sheet date. Significant changes may occur when there are differences between actual results and estimation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 10,981	$ 16,671
Checking accounts and demand deposits	4,450,256	3,098,122
Cash equivalents		
Time deposits	780,306	436,791
Short-term notes and bills	6,782,972	6,854,878
	$ 12,024,515	$ 10,406,462

The Group 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.

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

	December 31, 2016	December 31, 2015
Current items:		
Financial assets held for trading		
Domestic open-ended quasi money market fund	$ 4,584,120	$ 3,741,190
Non-hedging derivative instruments	126,282	54,417
Valuation adjustment	3,667	9,841
	$ 4,714,069	$ 3,805,448

A. The Group recognized net gain of $83,359 and loss of $58,721 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		December 31, 2015	
Derivative instruments	Contract amount (Notional principal) (in thousands)	Contract period	Contract amount (Notional principal) (in thousands)	Contract period
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 Group 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 Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Non-current items:		
Listed stocks and unlisted stocks	$ 337,207	$ 359,898
Valuation adjustment of available-for-sale financial assets	490,005	469,660
	$ 827,212	$ 829,558

The Group recognized gain of $20,345 and loss of $93,334 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

(4) Hedge accounting

	December 31, 2016	December 31, 2015
Current items:		
Derivative financial assets for hedging - current		
Cross currency swaps-cash flow hedges	$ 95,231	$ 304,772
Derivative financial liabilities for hedging - current		
Interest rate swaps-cash flow hedges	$ -	($ 763)
Cross currency swaps-cash flow hedges	(56,072)	(16,161)
	($ 56,072)	($ 16,924)

A. The Group entered into derivative financial instruments contracts with a variety of financial institutions all with high credit quality to disperse credit risk.

B. Cash flow hedges

	Designated as hedging instruments			
Hedged items	Derivative instruments designated as hedges	Fair value December 31, 2016	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss
Short-term loans	Cross currency swaps	$ 39,159	2014.4~2018.9	2014~2018

	Designated as hedging instruments			
Hedged items	Derivative instruments designated as hedges	Fair value December 31, 2015	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss
Long-term and short-term loans	Interest rate swaps	($ 763)	2013.2~2016.11	2013~2016
Short-term loans	Cross currency swaps	$ 288,611	2013.12~2018.9	2013~2018

(a) The Group is exposed to cash flow risk of floating-rate liabilities assumed arising from variations in the market interest rates. The Group assessed that the risk might be significant, and therefore entered into interest rate swap contracts to hedge such risk.

(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in other comprehensive income as of December 31, 2016 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.

(c) As of December 31, 2015, the fixed interest rates on interest rate swaps ranged between 0.993%～1.085%, and the above floating interest rate swaps were Libor/Tibor six months.

(d) Information about gain or loss arising from cash flow hedges recognized in profit or loss and other comprehensive income:

Items	Years ended December 31, 2016	Years ended December 31, 2015
Amount of gain or loss adjusted in other comprehensive income	($ 11,839)	$ 13,905
Amount of gain or loss transferred from other comprehensive income to profit or loss	7,438	7,863

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

	December 31, 2016	December 31, 2015
Notes receivable	$ 1,421,599	$ 1,177,701
Installment notes receivable	8,367,338	7,826,030
Accounts receivable	5,099,823	4,351,045
Installment accounts receivable	78,483,442	70,066,242
Lease payments and notes receivable	8,749,444	7,936,835
	102,121,646	91,357,853
Less: Unrealized interest income	(7,979,097)	(6,464,069)
Allowance for doubtful accounts	(1,302,284)	(1,168,514)
Notes and accounts receivable, net	$ 92,840,265	$ 83,725,270

As of December 31, 2016 and 2015, the subsidiary – Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to $6,879,557 and $7,274,688, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to $2,380,397 and $1,826,309 as of December 31, 2016 and 2015, respectively.

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

B. The expected recovery of the Group's installment notes and accounts receivable is as follows:

	December 31, 2016	December 31, 2015
Up to 12 months	$ 36,366,647	$ 34,676,808
Over 12 months	50,484,133	43,215,464
	$ 86,850,780	$ 77,892,272

C. Movements of the Group's provision for impairment of accounts receivable are as follows:

(a) As of December 31, 2016 and 2015, a portion of the Group's accounts receivable that were past due had been impaired amounting to $1,414,614 and $1,284,775, respectively.

(b) Movements of allowance for doubtful accounts for the abovementioned impaired accounts receivable wherein impairment has been recognized are as follows:

	Years ended December 31,	
	2016	2015
At January 1	$ 1,168,514	$ 1,130,809
Provisions during the period	874,581	703,540
Write-offs during the period	(727,486)	(664,411)
Others	(13,325)	(1,424)
At December 31	$ 1,302,284	$ 1,168,514

D. The Group leases office machines and vehicles to others under finance lease. Based on the terms of the lease contracts, the ownership of these assets shall be transferred to the lessees when the leases expire. The gross investments in those leases and present value of total minimum lease payments receivable as of December 31, 2016 and 2015 were as follows:

	December 31, 2016		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 6,952,245	($ 720,123)	$ 6,232,122
Later than one year but not later than five years	1,797,091	(515,303)	1,281,788
Over five years	108	(1)	107
	$ 8,749,444	($ 1,235,427	$ 7,514,017

	December 31, 2015		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 5,745,974	($ 655,680)	$ 5,090,294
Later than one year but not later than five years	2,190,861	(464,854)	1,726,007
	$ 7,936,835	($ 1,120,534)	$ 6,816,301

E. The quality information of accounts receivable is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group has an internal credit rating policy. The Group'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.

(6) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	$ 5,857,136	($ 66,517)	$ 5,790,619
Air conditioner and parts	2,712,162	(279,554)	2,432,608
Other goods	82,888	(7,341)	75,547
Inventory in transit	1,412,341	-	1,412,341
	$ 10,064,527	($ 353,412)	$ 9,711,115

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	$ 3,517,670	($ 67,764)	$ 3,449,906
Air conditioner and parts	2,198,511	(222,276)	1,976,235
Other goods	91,075	(4,646)	86,429
Inventory in transit	449,866	-	449,866
	$ 6,257,122	($ 294,686)	$ 5,962,436

A. Above listed inventories were not pledged to others as collateral.

B. The cost of inventories recognized as expense for the period:

	Years ended December 31,	
	2016	2015
Cost of goods sold	$ 137,575,647	$ 126,937,823
Loss on (gain on reversal of) market value decline of inventories	58,726	(13,556)
	$ 137,634,373	$ 126,924,267

The gain on reversal of inventory write-down for the year ended December 31, 2015 was caused by continuous selling of inventories that were previously written-down for inventory valuation and obsolescence loss.

(7) Prepayments

	December 31, 2016	December 31, 2015
Deferred commissions expense	$ 2,234,216	$ 2,246,898
Prepayments to suppliers	2,475,509	1,573,630
Other prepayments	1,898,829	1,098,265
	$ 6,608,554	$ 4,918,793

(8) Investments accounted for using equity method

	December 31, 2016	December 31, 2015
Kuozui Motors, Ltd.	$ 4,396,283	$ 4,822,743
Central Motor Co., Ltd.	2,408,428	2,338,547
Tau Miau Motor Co., Ltd.	1,406,260	1,342,355
Kau Du Automobile Co., Ltd.	1,331,838	1,287,020
Taipei Toyota Motor Co., Ltd.	918,227	848,972
Kuotu Motor Co., Ltd.	914,894	843,038
Nan Du Motor Co., Ltd.	870,861	805,807
Lang Yang Toyota Motor Co., Ltd.	282,242	276,321
Formosa Flexible Packaging Corp.	263,309	259,852
Shi-Ho Screw Industrial Co., Ltd.	131,726	134,188
Yokohama Tire Taiwan Co., Ltd.	872,806	880,869
	$ 13,796,874	$ 13,839,712

A. The carrying amount of the Group’s interests in all individually immaterial associates and the Group’s share of the financial performance are summarized as follows:

As of December 31, 2016 and 2015, the carrying amount of the Group’s individually immaterial associates amounted to $13,796,874 and $13,839,712, respectively.

	Years ended December 31,	
	2016	2015
Comprehensive income for the period	$ 8,795,715	$ 9,338,410

B. The Group’s investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to $2,467,474 and $2,478,143 for the years ended December 31, 2016 and 2015, respectively, and were valued based on the investees’ financial statements audited by the independent accountants.

(9) Property, plant and equipment

	Land	Buildings and structures	Utility equipment	Office equipment	Machinery and equipment	Rental assets (Note 1)	Leasehold improvements	Construction in progress	Total
At January 1, 2016									
Cost	$ 3,974,400	$ 3,979,981	$ 135,242	$ 1,167,290	$ 378,135	$ 41,501,391	$ 544,608	$ 83,799	$ 51,764,846
Revaluation gain	1,371,933	12,080	-	-	-	-	-	-	1,384,013
Accumulated depreciation and impairment	(26,850)	(1,427,068)	(131,892)	(778,020)	(206,568)	(14,804,022)	(309,972)	-	(17,684,392)
	$ 5,319,483	$ 2,564,993	$ 3,350	$ 389,270	$ 171,567	$ 26,697,369	$ 234,636	$ 83,799	$ 35,464,467
2016									
Opening net book amount	$ 5,319,483	$ 2,564,993	$ 3,350	$ 389,270	$ 171,567	$ 26,697,369	$ 234,636	$ 83,799	$ 35,464,467
Additions	-	62,389	1,112	151,950	25,191	11,827,769	44,430	334,178	12,447,019
Disposals	-	(25)	-	(21,281)	(3,653)	(5,191,485)	(35,982)	-	(5,252,426)
Reclassifications	(64,813)	(35,724)	-	15,633	(33,258)	(11,369)	46,613	(167,723)	(250,641)
Depreciation	-	(144,907)	(743)	(142,352)	(29,338)	(7,937,607)	(56,637)	-	(8,311,584)
Effect of consolidated entities' movement (Note 2)	-	-	-	(8,293)	(5,540)	-	(49,372)	-	(63,205)
Provision for loss on rental assets	-	-	-	-	-	(34,307)	-	-	(34,307)
Net exchange differences	-	(61,368)	(19)	(14,460)	(4,844)	(211,664)	(791)	-	(293,146)
Closing net book amount	$ 5,254,670	$ 2,385,358	$ 3,700	$ 370,467	$ 120,125	$ 25,138,706	$ 182,897	$ 250,254	$ 33,706,177
At December 31, 2016									
Cost	$ 3,935,553	$ 3,870,599	$ 136,169	$ 1,194,995	$ 326,185	$ 39,333,871	$ 504,098	$ 250,254	$ 49,551,724
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(1,497,320)	(132,469)	(824,528)	(206,060)	(14,195,165)	(321,201)	-	(17,203,593)
	$ 5,254,670	$ 2,385,358	$ 3,700	$ 370,467	$ 120,125	$ 25,138,706	$ 182,897	$ 250,254	$ 33,706,177

Note 1: Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets at disposal should be reclassified to inventories at carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

Note 2: The Board of Directors resolved to dispose the subsidiaries, Horung Motors Co., Ltd., Hojung Motors Co., Ltd. and Hohung Motors Co., Ltd. in October 2016 and settled on November 28, December 8 and November 9, 2016, respectively. The Company lost control of those subsidiaries after the settlement and they were no longer included in the consolidated financial statements since the fourth quarter of 2016.

	Land	Buildings and structures	Utility equipment	Office equipment	Machinery and equipment	Rental assets (Note)	Leasehold improvements	Construction in progress	Total
At January 1, 2015									
Cost	$ 4,214,936	$ 3,995,682	$ 134,965	$ 1,143,659	$ 342,416	$ 41,507,508	$ 493,289	$ 23,427	$ 51,855,882
Revaluation gain	1,371,933	12,080	-	-	-	-	-	-	1,384,013
Accumulated depreciation and impairment	(26,850)	(1,362,141)	(130,647)	(782,153)	(186,480)	(13,725,505)	(262,146)	-	(16,475,922)
	$ 5,560,019	$ 2,645,621	$ 4,318	$ 361,506	$ 155,936	$ 27,782,003	$ 231,143	$ 23,427	$ 36,763,973
2015									
Opening net book amount	$ 5,560,019	$ 2,645,621	$ 4,318	$ 361,506	$ 155,936	$ 27,782,003	$ 231,143	$ 23,427	$ 36,763,973
Additions	-	151,143	298	216,603	35,514	12,152,496	95,318	84,140	12,735,512
Disposals	-	(19,475)	-	(66,620)	(4,811)	(4,664,447)	(32,351)	(2,404)	(4,790,108)
Reclassifications	(240,536)	(70,615)	(98)	2,554	35,463	40,530	1,864	(21,340)	(252,178)
Depreciation	-	(133,806)	(1,165)	(123,181)	(32,804)	(8,569,780)	(61,276)	-	(8,922,012)
Reversal of loss on rental assets	-	-	-	-	-	771	-	-	771
Net exchange differences	-	(7,875)	(3)	(1,592)	(17,731)	(44,204)	(62)	(24)	(71,491)
Closing net book amount	$ 5,319,483	$ 2,564,993	$ 3,350	$ 389,270	$ 171,567	$ 26,697,369	$ 234,636	$ 83,799	$ 35,464,467
At December 31, 2015									
Cost	$ 3,974,400	$ 3,979,981	$ 135,242	$ 1,167,290	$ 378,135	$ 41,501,391	$ 544,608	$ 83,799	$ 51,764,846
Revaluation gain	1,371,933	12,080	-	-	-	-	-	-	1,384,013
Accumulated depreciation and impairment	(26,850)	(1,427,068)	(131,892)	(778,020)	(206,568)	(14,804,022)	(309,972)	-	(17,684,392)
	$ 5,319,483	$ 2,564,993	$ 3,350	$ 389,270	$ 171,567	$ 26,697,369	$ 234,636	$ 83,799	$ 35,464,467

Note : Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(10) Investment property

	Land	Buildings and structures	Total
At January 1, 2016			
Cost	$ 283,193	$ 395,142	$ 678,335
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(183,440)	(183,440)
	$ 585,016	$ 211,702	$ 796,718
2016			
Opening net book amount	$ 585,016	$ 211,702	$ 796,718
Additions	-	2,166	2,166
Reclassifications	64,813	57,520	122,333
Depreciation	-	(8,959)	(8,959)
Closing net book amount	$ 649,829	$ 262,429	$ 912,258
At December 31, 2016			
Cost	$ 322,035	$ 489,412	$ 811,447
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(226,983)	(226,983)
	$ 649,829	$ 262,429	$ 912,258

	Land	Buildings and structures	Total
At January 1, 2015			
Cost	$ 42,657	$ 262,946	$ 305,603
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(120,411)	(120,411)
	$ 344,480	$ 142,535	$ 487,015
2015			
Opening net book amount	$ 344,480	$ 142,535	$ 487,015
Additions	-	373	373
Reclassifications	240,536	75,663	316,199
Depreciation	-	(6,869)	(6,869)
Closing net book amount	$ 585,016	$ 211,702	$ 796,718
At December 31, 2015			
Cost	$ 283,193	$ 395,142	$ 678,335
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(183,440)	(183,440)
	$ 585,016	$ 211,702	$ 796,718

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

	Years ended December 31,	
	2016	2015
Rental income from investment property	$ 109,370	$ 86,018
Direct operating expenses arising from the investment property that generated rental income during the period	$ 8,959	$ 6,869

B. The fair value of the investment property held by the Group was $1,311,099 and $1,213,593 as of December 31, 2016 and 2015, respectively, based on the market value method.

(11) Other non-current assets

	December 31, 2016	December 31, 2015
Long-term accounts receivable	$ 420,355	$ 393,004
Land use right	236,501	265,614
Guarantee deposits paid	174,052	180,846
Prepayments for business facilities	93,608	40,723
Other	131,417	183,279
	$ 1,055,933	$ 1,063,466

(12) Short-term loans

Type of loans	December 31, 2016	December 31, 2015
Bank loans		
Unsecured loans	$ 30,210,478	$ 25,949,152
Mortgage loans	4,850,000	2,930,000
Mid-term syndicated loans for working capital	3,377,874	7,112,783
	$ 38,438,352	$ 35,991,935
Annual interest rate	0.75%~4.96%	0.73%～5.00%

As of December 31, 2016 and 2015, the details of loans are as follows:

A. The subsidiary, Hotai Finance Co., Ltd., has entered into a mid-term syndicated contract for a credit line of $3.32 billion with 8 financial institutions including Japan Bank for International Cooperation, in order to fulfill its working capital. The duration is 35 months (from September 25, 2015 to September 18, 2018). The loan can be drawn several times but is non-revolving. The payment term is to repay the full amount drawn at the maturity date.

B. The subsidiary, Hotai Finance Co., Ltd.'s commitments to the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods are summarized as follows:

(a) Current ratio: At least 90%

(b) Ratio of self-owned capital: At least 7%

(c) Interest coverage ratio: At least 120%

(d) Net value: At least $3.5 billion

(13) Short-term notes and bills payable

	December 31, 2016	December 31, 2015
Commercial paper payable	$ 47,130,000	$ 42,742,000
Less: unamortized discount	(31,389)	(28,084)
	$ 47,098,611	$ 42,713,916
Annual interest rate	0.598%~1.538%	0.768%~1.788%

(14) Bonds payable (shown as other current liabilities)

	December 31, 2016	December 31, 2015
Bonds payable	$ 1,000,000	$ 1,000,000

The competent authority has approved the first domestic unsecured ordinary corporate bonds issued by the Group's subsidiary, Hotai Finance Co., Ltd. The bonds issued amounted to $1,000,000 and a coupon rate of 2%, covering a 3-year period of issuance and a circulation period from November 7, 2014 to November 7, 2017. The subsidiary will redeem the bonds at the face value and pay in full amount by cash at the maturity date.

(15) Long-term loans

	December 31, 2016	December 31, 2015
Unsecured loans	$ 3,457,972	$ 4,617,450
Mortgage loans	350,000	650,000
Commercial papers payable	4,500,000	3,700,000
Less: unamortized discount	(6,149)	(6,605)
	8,301,823	8,960,845
Less: current portion (shown as other current liabilities)	(3,338,562)	(3,914,023)
	$ 4,963,261	$ 5,046,822
Loans interest rate range	0.92%~8.82%	1.24%～5.93%

A. The subsidiary, Hotai Leasing Co., Ltd.'s financial commitments to partial loans from the abovementioned financial institutions during the contract periods are summarized as follows:

(a) Debt ratio: 15 times

(b) Interest coverage ratio (excluding depreciation): At least 1.5 times

(c) Net value: At least $1 billion

B. As of December 31, 2016, the maturities of long-term loans of the subsidiaries, Hotai Leasing Co., Ltd. and Hoyun International Lease Co., Ltd., are as follows:

Duration of maturity	Loans amount
Up to 1 year	$ 3,340,272
1 to 2 years	1,700,357
2 to 3 years	3,267,343
	$ 8,307,972

C. The Group has undrawn borrowing facilities of $13,344,547 and $10,365,150 as of December 31, 2016 and 2015, respectively.

(16) Other payables

	December 31, 2016	December 31, 2015
Wages and salaries payable	$ 1,442,861	$ 1,270,326
Dealer bonus payable	579,626	515,391
Remuneration payable to employees	433,353	384,032
Remuneration payable to directors and supervisors	252,338	347,927
Interest payable	115,455	97,139
Others	1,641,520	1,442,956
	$ 4,465,153	$ 4,057,771

(17) Pensions

Defined contribution pension plan

A. Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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.

B. The Company's mainland China subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China ("PRC") are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the mainland subsidiaries have no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015, were $211,171 and $192,666, respectively.

(18) Provisions

	Warranty
At January 1, 2016	$ 2,376,685
Additional provisions during the period	936,137
Used during the period	(995,485)
At December 31, 2016	$ 2,317,337

Analysis of total provisions:

	December 31, 2016	December 31, 2015
Current	$ 1,101,965	$ 1,320,472
Non-current	$ 1,215,372	$ 1,056,213

The Group provides warranties on vehicles and air conditioners sold. Provision for warranty is estimated based on historical warranty data of vehicles, air conditioners and related products.

(19) Other non-current liabilities

	December 31, 2016	December 31, 2015
Deposits received for car rentals	$ 11,277,157	$ 11,182,381
Others	77,460	81,735
	$ 11,354,617	$ 11,264,116

(20) 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.

(21) 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.

(22) 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.

   The earnings appropriation ratios and distribution method of dividends to shareholders are determined based on current year's profit and capital position and shall be proposed by the Board of Directors and resolved by the shareholders.

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 amounting 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 (NT$12.0 per share).

E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(28).

(23) Operating revenue

	Years ended December 31, 2016	Years ended December 31, 2015
Sales revenue	$ 153,897,393	$ 141,811,038
Rental revenue	12,751,512	13,334,456
Interest income	3,654,690	3,088,948
Service revenue	2,228,305	2,373,186
	$ 172,531,900	$ 160,607,628

(24) Operating cost

	Years ended December 31, 2016	Years ended December 31, 2015
Cost of sales	$ 137,634,373	$ 126,924,267
Cost of rental sales	9,823,254	10,334,378
Interest expense	1,446,546	1,561,229
Cost of services	643,747	582,952
	$ 149,547,920	$ 139,402,826

(25) Other income

	Years ended December 31, 2016	Years ended December 31, 2015
Rental income	$ 118,785	$ 106,990
Interest income	119,774	129,133
Others	1,642,220	1,618,787
	$ 1,880,779	$ 1,854,910

(26) Other gains and losses

	Years ended December 31, 2016	2015
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	$ 65,691	($ 68,579)
Gain (loss) on disposal of property, plant and equipment	1,915	(15,557)
Net currency exchange loss	(6,326)	(74,594)
Gain on disposal of investments	16,481	9,858
Miscellaneous disbursements	(30,667)	(22,075)
	$ 47,094	($ 170,947)

(27) Expenses by nature

	Years ended December 31, 2016	2015
Employee benefit expense	$ 5,707,417	$ 5,384,053
Depreciation	8,320,543	8,928,881
Amortization	17,216	17,702
	$ 14,045,176	$ 14,330,636

(28) Employee benefit expense

	Years ended December 31, 2016	2015
Wages and salaries	$ 4,875,730	$ 4,594,824
Labor and health insurance fees	331,763	330,631
Pension costs	211,171	192,666
Other personnel expenses	288,753	265,932
	$ 5,707,417	$ 5,384,053

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 channeled 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' compensation 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' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $126,169 and $252,338, and the employees' compensation will be distributed in the form of 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.

(29) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Years ended December 31, 2016	Years ended December 31, 2015
Current tax:		
Current tax expense recognized in the current period	$ 2,039,928	$ 1,885,518
Additional 10% income tax imposed on unappropriated earnings	296,035	349,058
Prior year income tax (over) under estimation	(11,546)	16,963
Total current tax	2,324,417	2,251,539
Deferred tax:		
Origination and reversal of temporary differences	164,069	86,734
Total deferred tax	164,069	86,734
Income tax expense	$ 2,488,486	$ 2,338,273

(b)The income tax (charge)/ credit relating to components of other comprehensive income are as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Cash flow hedges	($ 1,394)	$ 2,364

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2016	Years ended December 31, 2015
Income tax expense at the statutory rate	$ 2,972,444	$ 2,857,566
Effect from adjustments based on regulation	(768,447)	(885,314)
Additional 10% surtax on undistributed earnings	296,035	349,058
Prior year income tax (over) under estimation	(11,546)	16,963
Income tax expense	$ 2,488,486	$ 2,338,273

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	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	$ 49,835	$ 10,044	$ -	$ 59,879
Provision for after-sales service	281,987	(17,406)	-	264,581
Bad debt expense	177,632	56,665	-	234,297
Provision of allowance for loss on rental assets	9,168	5,966	-	15,134
Loss carryforward	283,038	(135,883)	-	147,155
Others	177,716	(38,129)	1,394	140,981
	979,376	(118,743)	1,394	862,027
-Deferred tax liabilities:				
Land value increment tax	(544,824)	-	-	(544,824)
Gain on investments accounted for using equity method	(247,977)	(89,192)	-	(337,169)
Difference between finance and tax due to depreciation	(1,036,230)	31,708	-	(1,004,522)
Others	(31,057)	12,158	-	(18,899)
	(1,860,088)	(45,326)	-	(1,905,414)
	($ 880,712)	($ 164,069)	$ 1,394	($ 1,043,387)

	Year ended December 31, 2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	$ 52,070	($ 2,235)	$ -	$ 49,835
Provision for after-sales service	275,448	6,539	-	281,987
Bad debt expense	121,539	56,093	-	177,632
Provision of allowance for loss on rental assets	10,107	(939)	-	9,168
Loss carryforward	382,716	(99,678)	-	283,038
Cash flow hedges	3,083	-	(2,364)	719
Others	175,383	1,614	-	176,997
	1,020,346	(38,606)	(2,364)	979,376
-Deferred tax liabilities:				
Land value increment tax	(544,824)	-	-	(544,824)
Gain on investments accounted for using equity method	(233,688)	(14,289)	-	(247,977)
Difference between finance and tax due to depreciation	(982,591)	(53,639)	-	(1,036,230)
Others	(50,857)	19,800	-	(31,057)
	(1,811,960)	(48,128)	-	(1,860,088)
	($ 791,614)	($ 86,734)	($ 2,364)	($ 880,712)

D. Expiration dates of unused loss carryforward and amounts of unrecognized deferred tax assets of the Group's subsidiary, Hotai Leasing Corporation, are as follows:

December 31, 2016

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2007	$ 591,848	$ 79,065	$ -	2017
2008	477,444	477,444	-	2018
2011	210,305	210,305	-	2021
2012	89,763	89,763	-	2022
2013	9,033	9,033	-	2023

December 31, 2015

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2006	$ 286,533	$ 286,533	$ -	2016
2007	591,848	591,848	-	2017
2008	477,444	477,444	-	2018
2011	210,305	210,305	-	2021
2012	89,763	89,763	-	2022
2013	9,033	9,033	-	2023

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

F. Unappropriated earnings:

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

G. Integrated income tax system:

	December 31,	
	2016	2015
Balance of the imputation tax credit account	$ 4,063,805	$ 3,398,334

	2016 (estimated)	2015 (actual)
Tax deduction rate of earnings distribution	15.48%	20.13%

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.

(30) Earnings per share

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

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

(31) Operating leases

A. Lessor

The subsidiaries, Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd., engage in vehicles rental services. Partial collection is advance receipts of notes for rents which expire based on payment terms. As of December 31, 2016 and 2015, the notes receivable collected in advance amounted to $8,447,711 and $8,669,455, respectively. The notes receivable and advance rents are presented at net amount and are not shown in the balance sheet. As of December 31, 2016 and 2015, the amounts of $6,725,091 and $6,965,126 of notes receivable have been pledged as collateral for long-term and short-term bank loans and issuance of commercial papers.

Total future notes receivable for rents are as follows:

	December 31, 2016	December 31, 2015
Up to 1 year	$ 4,900,292	$ 5,044,767
1 to 5 years	3,547,419	3,624,688
	$ 8,447,711	$ 8,669,455

B. Lessee

The Group leases buildings for operation under operating lease agreements. The lease terms are between 1 and 10 years, and all these lease agreements are renewable at the end of the lease period. The Group recognized rental expenses of $553,176 and $488,334 for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases agreements are as follows:

	December 31, 2016	December 31, 2015
Up to 1 year	$ 288,074	$ 279,217
1 to 5 years	589,743	556,642
Over 5 years	417,887	494,878
	$ 1,295,704	$ 1,330,737

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

	Years ended December 31,	
	2016	2015
(a) Sales of goods:		
-Associates	$ 108,340,232	$ 100,185,256
-Entities controlled by key management	56,470	42,968
Sales of services:		
-Associates	50,807	58,485
-Entities controlled by key management	124,542	96,388
	$ 108,572,051	$ 100,383,097

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 shown in table 5 of Note 13(1)

Significant transactions information.

	Years ended December 31, 2016	Years ended December 31, 2015
(b) Interest income:		
-Associates	$ 50,866	$ 53,331

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.

	Years ended December 31, 2016	Years ended December 31, 2015
(c) Subsidy income for price difference from installments:		
-Associates	$ 315,990	$ 358,146

	Years ended December 31, 2016	Years ended December 31, 2015
(d) Rental revenue:		
-Associates	$ 100,820	$ 85,680
-Entities controlled by key management	4,549	2,622
	$ 105,369	$ 88,302

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

	Years ended December 31, 2016	Years ended December 31, 2015
(e) Contracted operating revenue (listed as operating revenue)		
-Associates	$ 25,756	$ 26,233

	Years ended December 31, 2016	Years ended December 31, 2015
(f) Warranty revenue (shown as deductions to warranty costs)		
-Associates	$ 333,866	$ 169,239
-Entities controlled by key management	522,405	333,655
	$ 856,271	$ 502,894

	Years ended December 31,			
	2016		2015	
(g) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)				
-Associates	$	205,429	$	216,468
-Entities controlled by key management		89,623		65,032
	$	295,052	$	281,500

	Years ended December 31,			
	2016		2015	
(h) Distribution income (shown as deductions to freight)				
-Associates	$	34,968	$	35,228

	Years ended December 31,			
	2016		2015	
(i) Miscellaneous income				
-Associates	$	332,111	$	323,638
-Entities controlled by key management		55,626		70,501
	$	387,737	$	394,139

B. Expenditures

	Years ended December 31,			
(a) Purchases of goods:	2016		2015	
-Associates	$	82,645,542	$	85,449,207
-Entities controlled by key management		46,474,847		36,031,509
	$	129,120,389	$	121,480,716

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from Toyota Motor Corporation (“TMC”), Toyota Motor (China) Investment Co., Ltd. (“TMCI”), Toyota Motor Asia Pacific Pte Ltd. (“TMAP”) and Toyota Motor Sales, U.S.A. (“TMS”). Payment terms are shown in table 5 of Note 13(1) Significant transactions information.

Partial purchases are from installment sales by the subsidiary, Hotai Finance Co., Ltd. As described in Note 4, Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales. Therefore, sales revenue and cost of sales are presented in net amount. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 5 of Note 13(1) Significant transactions information.

	Years ended December 31,	
	2016	2015
(b) Interest expense:		
-Associates	$ 21,093	$ 26,554

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.

	Years ended December 31,	
	2016	2015
(c) Rental expense:		
-Associates	$ 18,071	$ 18,980

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.

	Years ended December 31, 2016		Years ended December 31, 2015	
(d) Warranty cost:				
-Associates	$	638,697	$	437,426
-Entities controlled by key management		131		291
	$	638,828	$	437,717

	Years ended December 31, 2016		Years ended December 31, 2015	
(e) Advertisement expense:				
-Associates	$	23,941	$	30,087
-Entities controlled by key management		3,625		1,899
	$	27,566	$	31,986

C. Receivables from (payables to) related parties

	December 31, 2016		December 31, 2015	
(a) Receivables from related parties:				
-Associates	$	2,084,927	$	2,001,869
-Entities controlled by key management		8,178		5,858
	$	2,093,105	$	2,007,727

	December 31, 2016		December 31, 2015	
(b) Other receivables from related parties:				
-Associates	$	162,462	$	426,889
-Entities controlled by key management		14,034		10,329
	$	176,496	$	437,218

	December 31, 2016		December 31, 2015	
(c) Accounts payable				
-Associates	$	1,665,666	$	1,078,113
-Entities controlled by key management		4,437,887		2,907,972
	$	6,103,553	$	3,986,085

	December 31, 2016		December 31, 2015	
(d) Other payables				
-Associates	$	229,062	$	272,586
-Entities controlled by key management		172		2,185
	$	229,234	$	274,771

D. Property transactions

(a) Acquisition of rental assets and cars for self-use

	Years ended December 31,	
	2016	2015
Associates	$ 5,517,574	$ 5,351,340

(b) Disposal of other assets:

		Year ended December 31, 2016	
	Accounts	Consideration	Loss from disposal
Associates	Investments accounted for using equity method	$ 144,439	($ 1,187)

None of the investments accounted for under equity method has been disposed during the year ended December 31, 2015.

(2) Key management remuneration

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 349,879	$ 428,847

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Pledged asset	December 31, 2016	December 31, 2015	Purpose
Notes and accounts receivable	$ 9,259,954	$ 9,100,997	Short-term loans and commercial papers payable
Restricted assets (Note)			
-Demand and time deposits	95,021	99,071	Short-term loans and performance guarantee
Property, plant and equipment			
-Land	230,085	766,717	Short-term loans
-Buildings	37,777	312,219	Short-term loans
	$ 9,622,837	$ 10,279,004	
Transactions not listed in the balance sheet			
-Notes receivable for rent	$ 6,725,091	$ 6,965,126	Long-term and short-term loans and commercial papers payable

Note: Shown as ‘other current assets’.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Details of operating lease agreements are shown in Note 6(31).

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

Type of contracts	Party involved	Contract period	Main contents
The Company			
Distributor agreement	Toyota Motor Corporation	January 1, 2016 to December 31, 2018 (Toyota) January 1, 2016 to December 31, 2018 (Lexus)	Sales of imported or domestic models, parts and assessories of Toyota and Hino in Taiwan.
	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. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
Chang Yuan Motor Co., Ltd.			
Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Toyota Material Handling Taiwan Ltd.			
Distributor agreement	Toyota Industries Corporation	April 1, 2014 to March 31, 2017	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The subsidiary, Hozan Investment Co., Ltd., has acquired 99.8% equity of Zurich Insurance (Taiwan) Ltd. amounting to $6,831,887 in January 2017. The amortisation of investment cost and net equity, and recognition of goodwill will be disclosed after the valuation report has been issued. The Company has elected the new Board of Directors at the stockholders' meeting and has resolved to rename the company as Hotai Insurance Co., Ltd. It has been approved by the authority and renamed effective since March 1, 2017.

(2) For the appropriation of retained earnings of 2016, please refer to Note 6(22).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group'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 Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables and bonds payable) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (please refer to Notes 6(2) and 6(4)).

(b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group'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. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the finance departments of companies within the Group. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group enters into forward exchange contracts, through finance departments of companies within the Group. 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.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). 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					December 31, 2015				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)										
Financial assets										
Monetary items										
USD:NTD	USD	6,189	32.2500	$	199,595	USD	2,947	32.8250	$	96,735
JPY:NTD	JPY	143,388	0.2756		39,518	JPY	110,176	0.2727		30,045
RMB:NTD	CNY	7,753	4.6406		35,979	CNY	49	5.0550		248
Financial liabilities										
Monetary items										
USD:NTD	USD	320,414	32.2500	$	10,333,352	USD	273,303	32.8250	$	8,971,171
JPY:NTD	JPY	3,164,471	0.2756		872,128	JPY	3,150,709	0.2727		859,198
USD:RMB (Note)	USD	15,000	6.9495		483,750	USD	15,000	6.4936		492,375

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

iv. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to $6,326 and $74,594, respectively.

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

	Year ended December 31, 2016			Year ended December 31, 2015		
	Sensitivity analysis			Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	1%	$ 1,996	$ -	1%	$ 967	$ -
JPY:NTD	1%	395	-	1%	300	-
RMB:NTD	1%	360	-	1%	2	-
Financial liabilities						
Monetary items						
USD:NTD	1%	103,334	-	1%	89,712	-
JPY:NTD	1%	8,721	-	1%	8,592	-
USD:RMB (Note)	1%	4,838	-	1%	4,924	-

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Price risk and interest rate risk

i. The Company's and the subsidiaries' 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.

ii. The borrowings of the subsidiaries, Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd. and Hoyun Leasing International Limited, are partially held at fixed rates so it has certain market risk. For the position held at the balance sheet date, if market interest rates had been 1% higher/lower, fair value of the borrowings would have been $841,583 higher/lower.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group 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 period and management does not expect any significant losses from non-performance by these counterparties.

iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of December 31, 2016 and 2015, HFC has financial instruments with off-balance-sheet credit risk amounting to $10,687,846 and $13,467,878, respectively, and HFC has collected notes for installment payment on behalf of the banks. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as ‘other current liabilities’.

iv. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(5).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled 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 and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2016

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 32,738,732	$ 5,099,620	$ 600,000
Short-term notes and bills payable	47,098,611	-	-
Notes payable	124,056	-	-
Accounts payable	9,909,121	-	-
Other payables	4,465,153	-	-
Bonds payable	1,000,000	-	-
Long-term loans (including current portion)	3,340,272	1,700,357	3,267,343

December 31, 2015

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 29,307,085	$ 1,519,590	$ 5,165,260
Short-term notes and bills payable	42,713,916	-	-
Notes payable	125,782	-	-
Accounts payable	6,956,009	-	-
Other payables	4,057,771	-	-
Bonds payable	-	1,000,000	-
Long-term loans (including current portion)	3,916,493	3,471,058	1,579,899

Derivative financial liabilities:

December 31, 2016

	Up to 1 year	1 to 2 years	2 to 3 years
Cross Currency swaps	$ -	$ 56,072	$ -

December 31, 2015

	Up to 1 year	1 to 2 years	2 to 3 years
Interest rate swaps	$ 763	$ -	$ -
Cross Currency swaps	-	16,161	-

(3) Fair value information

A. Details of the fair value of the Group'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 Group's investment property measured at cost are provided in Note 6(10).

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 Group's investment in listed shares and beneficiary certificates 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 Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Group'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 as of December 31, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 4,587,787	$ -	$ -	$ 4,587,787
Forward exchange contracts	-	126,282		126,282
Derivative financial assets for hedging	-	95,231	-	95,231
Available-for-sale financial assets				
Equity securities	563,790	-	263,422	827,212
	$ 5,151,577	$ 221,513	$ 263,422	$ 5,636,512
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities for hedging	$ -	$ 56,072	$ -	$ 56,072

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 3,751,031	$ -	$ -	$ 3,751,031
Forward exchange contracts	-	54,417	-	54,417
Derivative financial assets for hedging	-	304,772	-	304,772
Available-for-sale financial assets				
Equity securities	529,336	-	300,222	829,558
	$ 4,280,367	$ 359,189	$ 300,222	$ 4,939,778
Liabilities				
Recurring fair value measurements				
Derivative financial liabilities for hedging	$ -	$ 16,924	$ -	$ 16,924

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

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

	Listed stocks	Open-end fund
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 market, interest rate swap contracts and foreign exchange swap contracts and options, the Group 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. Forward foreign currency contracts are generally assessed using forward exchange rates.

(d) The Group 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 Group’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:

	Years ended December 31,	
	2016	2015
	Equity securities	Equity securities
At January 1	$ 300,222	$ 333,582
Proceeds from capital reduction	(23,032)	-
Gains and losses recognized in other comprehensive income	(13,768)	(33,360)
At December 31	$ 263,422	$ 300,222

G. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1, Level 2 and Level 3.

H. Treasury department 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.

I. 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:

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 263,422	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.

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 300,222	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.

J. The Group 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.

(4) Financial statement presentation

Certain accounts in the December 31, 2015 financial statements have been reclassified to conform with the December 31, 2016 financial statement presentation.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows:

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

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Company considers the business from operating perspective, and the reportable operating segments are as follows:

A. Distributor of Toyota and Hino products segments: distributor for sales of Toyota and Hino vehicles, parts and other products to dealers. This segment is refers to Ho Tai Motor Co., Ltd. As of December 31, 2016, the Company’s self-owned capital ratio was 75%.

B. Installment trading segments: trading various vehicles in installments.

C. Leasing segments: leasing of various vehicles in installments.

D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.

B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Year ended December 31, 2016					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 105,038,533	$ 5,819,745	$ 15,422,090	$ 46,251,532	$ -	$ 172,531,900
Inter-segment revenue (Note)	5,315,061	282,393	$ 342,228	3,659,463	(9,599,145)	-
Total segment revenue	$ 110,353,594	$ 6,102,138	$ 15,764,318	$ 49,910,995	($ 9,599,145)	$ 172,531,900
Segment income (loss) (Note)	$ 12,238,373	$ 1,582,118	$ 574,792	$ 4,850,663	($ 4,698,561)	$ 14,547,385
Depreciation and amortisation	$ 86,288	$ 344,008	$ 6,714,659	$ 1,194,587	($ 1,783)	$ 8,337,759
Income tax expense	$ 1,498,334	$ 310,145	$ 124,216	$ 555,791	$ -	$ 2,488,486
Gain on investments accounted for using equity method	$ 5,008,805	$ 75,930	$ 65,032	$ 2,041,407	($ 4,723,700)	$ 2,467,474
Segment assets	$ 57,323,171	$ 83,797,366	$ 25,637,717	$ 49,204,040	($ 37,045,718)	$ 178,916,576
Segment liabilities	$ 14,216,929	$ 75,225,897	$ 22,683,817	$ 17,089,802	($ 878,958)	$ 128,337,487

	Year ended December 31, 2015					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 96,997,263	$ 5,356,124	$ 14,591,162	$ 43,663,079	$ -	$ 160,607,628
Inter-segment revenue (Note)	4,973,939	332,453	527,751	3,247,338	(9,081,481)	-
Total segment revenue	$ 101,971,202	$ 5,688,577	$ 15,118,913	$ 46,910,417	($ 9,081,481)	$ 160,607,628
Segment income (loss) (Note)	$ 11,133,667	$ 1,488,287	$ 492,993	$ 4,721,409	($ 4,615,590)	$ 13,220,766
Depreciation and amortisation	$ 95,528	$ 367,388	$ 6,737,673	$ 1,746,143	($ 149)	$ 8,946,583
Income tax expense	$ 1,357,076	$ 288,388	$ 171,324	$ 521,485	$ -	$ 2,338,273
Gain on investments accounted for using equity method	$ 4,679,684	($ 3,601)	($ 9,402)	$ 1,323,553	($ 3,512,091)	$ 2,478,143
Segment assets	$ 50,867,638	$ 76,884,288	$ 25,800,196	$ 44,961,829	($ 34,881,637)	$ 163,632,314
Segment liabilities	$ 11,503,499	$ 69,152,147	$ 23,141,795	$ 15,200,697	($ 1,142,786)	$ 117,855,352

Note: Inter-segment revenue is revenue from goods sold and services rendered between segments. Sales and transfers between consolidated entities are deemed as transactions with third parties and are measured at present market price.

(4) Reconciliation for segment income (loss)

A. The Group's Chief Operating Decision-Maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.

B. The total assets reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the Company's financial statements.

(5)Information on products and services

Revenue from external customers is primarily derived from the exclusive agent of Toyota and Hino products segment and leasing segment.

Details of revenue balance are as follows:

	Years ended December 31,	
	2016	2015
Sales revenue	$ 153,897,393	$ 141,811,038
Rental revenue	12,751,512	13,334,456
Others	5,882,995	5,462,134
	$ 172,531,900	$ 160,607,628

(6)Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	$ 155,611,366	$ 45,844,276	$ 145,609,147	$ 46,099,455
Mainland China	16,920,534	3,626,966	14,998,481	5,092,608
	$ 172,531,900	$ 49,471,242	$ 160,607,628	$ 51,192,063

Note: Revenue is categorized based on the locations of customers.

(7)Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Revenue	Segment	Revenue	Segment
A	$23,057,234	Distributor of Toyota and Hino products	$21,294,830	Distributor of Toyota and Hino products
B	21,113,773	"	19,655,476	"
C	16,929,421	"	15,822,874	"

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 Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
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 Moters 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 Moters 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	Party being endorsed/guaranteed: 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 Hoyu 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 Moters 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 edorsement 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

				As of December 31, 2016				
Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
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 Finanial 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	
	-CTBC Hwa-win Money Market Fund	Not applicable	〃	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 Number of shares	Book value	Ownership (%)	Fair value	Footnote
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

					Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2016	
Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investee	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

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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 Miau 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 Miau 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%	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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 Miau 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 Moters 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	〃	〃	-	-	
Shanhai 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 December 31, 2016			Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	$	346,479	72.65	$ -	None	$ 346,479	$ -
			Other receivables	$	6,243				6,243	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	Accounts receivable	$	196,873	92.92	-	〃	196,873	-
			Other receivables	$	5,904				5,904	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	Accounts receivable	$	198,448	79.44	-	〃	198,448	-
			Other receivables	$	5,053				5,053	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	Accounts receivable	$	252,749	66.96	-	〃	252,749	-
			Other receivables	$	4,399				4,399	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	Accounts receivable	$	233,487	73.69	-	〃	233,487	-
			Other receivables	$	4,408				4,408	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	〃	Accounts receivable	$	189,933	64.46	-	〃	189,933	-
			Other receivables	$	37,894				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				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: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of total operating revenues or total assets
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

				Initial investment amount		Shares held as at December 31, 2016					
Investor	Investee	Location	Main business activities	Balance at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	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
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 Miau 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	-	〃

				Initial investment amount		Shares held as at December 31, 2016					
Investor	Investee	Location	Main business activities	Balance at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	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
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 assessories	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: Remitted to Mainland China	Remitted back to Taiwan	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
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 Moters 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 coniditoning 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)	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 exisitng 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