HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2017 AND 2016

For the convenience of readers and for information purposes only, the review 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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2017 AND 2016

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

(TRANSLATED FROM CHINESE)

PWCR17000117

To the Board of Directors and Shareholders of

Ho Tai Motor Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2017 and 2016 as well as the consolidated statements of changes in equity, and of cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Notes 4(3) and 6(10), the accompanying consolidated financial statements include certain insignificant subsidiaries and investments accounted for using the equity method, whose statements reflect total assets amounted to NT$52,193,409 thousand and NT$43,566,365 thousand, constituting 27% and 26% of the consolidated total assets, and total liabilities of NT$21,143,030 thousand and NT$14,829,088 thousand, constituting 15% and 12% of the consolidated total liabilities as of September 30, 2017 and 2016, respectively, and comprehensive income of NT$1,137,052 thousand, NT$743,377 thousand, NT$3,051,106 thousand and NT$3,282,066 thousand constituting 40%, 28%, 34% and 37% of the consolidated comprehensive income for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively. These amounts and the information disclosed in Note 13 were based on the unreviewed financial statements of these companies as of September 30, 2017 and 2016.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of insignificant subsidiaries, investments accounted for under the equity method and the information disclosed in Note 13 been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Regulations Governing Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance", and International Accounting Standard 34, "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission.

CHIN-MU, HSIAO

CHIEN-HUNG, CHOU

For and on behalf of PricewaterhouseCoopers, Taiwan

November 10, 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 non-consolidated financial statements and review 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
SEPTEMBER 30, 2017, DECEMBER 31, SEPTEMBER 30, AND JANUARY 1, 2016
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of September 30, 2017 and 2016 are reviewed, not audited)

			September 30, 2017		(Adjusted) December 31, 2016		(Adjusted) September 30, 2016		(Adjusted) January 1, 2016	
	Assets	Notes	Amount	%	Amount	%	Amount	%	Amount	%
	Current Assets									
1100	Cash and cash equivalents	6(1)	$ 9,960,203	5	$ 12,024,515	7	$ 10,506,060	6	$ 10,406,462	7
1120	Financial assets at fair value through profit or loss-current	6(2)(6)	714,559	-	4,714,069	2	1,499,732	1	3,805,448	2
1130	Available-for-sale financial assets-current	6(3) and 8	1,294,680	1	-	-	-	-	-	-
1150	Derivative financial assets for hedging-current	6(4)	-	-	95,231	-	216,353	-	304,772	-
1190	Other financial assets-current	8	1,913,234	1	297,740	-	115,417	-	99,071	-
1201	Notes receivable	6(5), 7 and 8	9,784,482	5	10,278,271	6	11,111,094	7	9,559,124	6
1202	Accounts receivable	6(5), 7 and 8	93,916,062	48	82,561,994	46	79,724,422	47	74,166,146	45
1203	Other receivables	7	1,882,976	1	1,464,606	1	1,355,456	1	1,436,765	1
1270	Inventories	6(7)	7,292,333	4	9,110,354	5	7,771,542	5	5,962,436	4
1280	Prepayments	6(8)	5,991,519	3	6,608,554	4	5,974,992	3	4,918,793	3
1310	Reinsurance contract assets, net	6(9)	1,605,890	1	-	-	-	-	-	-
	Total current assets		134,355,938	69	127,155,334	71	118,275,068	70	110,659,017	68
	Non-current assets									
1420	Available-for-sale financial assets-non-current	6(3) and 8	5,683,103	3	827,212	-	792,567	-	829,558	-
1470	Investments accounted for using equity method	6(10)	14,204,205	7	13,796,874	8	13,301,118	8	13,839,712	8
1480	Other financial assets-non-current	6(1)	132,353	-	-	-	-	-	-	-
1500	Property, plant and equipment, net	6(11) and 8	34,880,222	18	33,706,177	19	34,046,823	20	35,464,467	22
1600	Investment property, net	6(12)	1,871,057	1	912,258	1	866,744	-	796,718	-
1700	Intangible assets, net	6(13)	1,214,586	1	-	-	-	-	-	-
1800	Deferred income tax assets, net		860,312	-	862,027	-	922,178	1	979,376	1
1900	Other assets	6(14)	1,520,543	1	1,055,933	1	1,108,913	1	1,063,466	1
	Total non-current assets		60,366,381	31	51,160,481	29	51,038,343	30	52,973,297	32
	Total Assets		$ 194,722,319	100	$ 178,315,815	100	$ 169,313,411	100	$ 163,632,314	100
	Liabilities and equity									
	Current liabilities									
2110	Short-term loans	6(15)	$ 38,154,503	20	$ 38,438,352	22	$ 30,618,973	18	$ 35,991,935	22
2120	Short-term notes and bills payable	6(16)	50,160,143	26	47,098,611	26	50,975,345	30	42,713,916	26
2140	Financial liabilities at fair value through profit or loss-current	6(2)(6)	4,792	-	-	-	31,186	-	-	-
2150	Derivative financial liabilities for hedging-current	6(4)	318,725	-	56,072	-	116,560	-	16,924	-
2201	Notes payable		173,316	-	124,056	-	131,967	-	125,782	-
2202	Accounts payable	7	7,852,398	4	9,909,121	6	8,125,857	5	6,956,009	4
2203	Accrued expenses	6(19) and 7	4,405,762	2	3,838,227	2	3,879,805	2	3,506,304	2
2204	Other payables		890,577	-	478,949	-	692,644	-	404,438	-
2250	Commissions payable	7	209,243	-	147,977	-	65,549	-	147,029	-
2260	Due to reinsurance and ceding companies		232,128	-	-	-	-	-	-	-

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2017, DECEMBER 31, SEPTEMBER 30, AND JANUARY 1, 2016
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of September 30, 2017 and 2016 are reviewed, not audited)

			September 30, 2017		(Adjusted) December 31, 2016		(Adjusted) September 30, 2016		(Adjusted) January 1, 2016	
	Liabilities and equity	Notes	Amount	%	Amount	%	Amount	%	Amount	%
2270	Claims payable		$ 7,930	-	$ -	-	$ -	-	$ -	-
2310	Current income tax liabilities		1,188,396	1	1,384,054	1	920,723	1	1,299,820	1
2320	Advance receipts		1,054,559	-	1,148,985	1	909,377	1	990,757	1
2330	Long-term liabilities-current portion	6(17)(18)	6,198,603	3	4,338,562	2	4,097,413	3	4,914,023	3
2350	Other current liabilities	6(21)	1,283,495	1	1,335,096	1	1,618,579	1	1,561,176	1
	Total current liabilities		112,134,570	57	108,298,062	61	102,183,978	61	98,628,113	60
	Non-current liabilities									
2550	Long-term loans	6(18)	8,222,767	4	4,963,261	3	4,879,346	3	5,046,822	3
2600	Provisions	6(9)(21)	8,378,870	5	1,215,372	1	1,061,219	-	1,056,213	1
2620	Guarantee deposits received	6(22)	11,636,293	6	11,311,635	6	11,250,464	7	11,210,942	7
2630	Deferred income tax liabilities		2,097,026	1	1,905,414	1	1,889,716	1	1,860,088	1
2660	Other liabilities		65,954	-	42,982	-	47,180	-	53,174	-
	Total non-current liabilities		30,400,910	16	19,438,664	11	19,127,925	11	19,227,239	12
2XXX	**Total liabilities**		142,535,480	73	127,736,726	72	121,311,903	72	117,855,352	72
	Equity attributable to shareholders of the parent									
	Share capital	6(23)								
3110	Common stock		5,461,792	3	5,461,792	3	5,461,792	3	5,461,792	3
	Capital surplus	6(24)								
3200	Capital surplus		263,060	-	263,060	-	263,060	-	263,060	-
	Retained earnings	6(25)								
3310	Legal reserve		9,336,721	5	8,262,717	5	8,262,717	5	7,285,058	5
3320	Special reserve		381,843	-	381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		28,216,847	15	28,074,357	16	25,520,565	15	24,863,218	15
	Other equity									
3400	Other equity		628,470	-	662,473	-	806,095	1	1,109,168	1
31XX	**Total equity attributable to shareholders of the parent**		44,288,733	23	43,106,242	24	40,696,072	24	39,364,139	24
32XX	**Non-controlling interest**		7,898,106	4	7,472,847	4	7,305,436	4	6,412,823	4
3XXX	**Total equity**		52,186,839	27	50,579,089	28	48,001,508	28	45,776,962	28
	Commitments and contingent liabilities	9								
	Total liabilities and equity		$ 194,722,319	100	$ 178,315,815	100	$ 169,313,411	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
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)
(Reviewed, not audited)

			Three months ended September 30,				Nine months ended September 30,			
			2017		2016		2017		2016	
	Items	Notes	Amount	%	Amount	%	Amount	%	Amount	%
	Revenues									
4010	Interest income	6(3) (26) and 7	$ 1,148,180	3	$ 955,109	2	$ 3,355,453	3	$ 2,755,293	2
4020	Premiums revenue	6(27) and 7	912,532	2	-	-	2,217,382	2	-	-
4040	Reinsurance commission revenue		47,121	-	-	-	83,088	-	-	-
4050	Fee income		2,974	-	-	-	8,127	-	-	-
4060	Share of profit of associates and joint ventures accounted for using equity method	6(10)	368,955	1	358,256	1	1,265,642	1	1,912,927	2
4100	Realized gains on available-for-sale financial assets		55,197	-	48,633	-	164,319	-	54,521	-
4160	**Net sales revenue**	7								
4161	Sales revenue		34,958,745	87	35,893,635	89	116,476,021	88	116,474,762	89
4162	Sales returns		(379,913)	(1)	(306,855)	(1)	(1,259,006)	(1)	(1,007,602)	(1)
4163	Sales discounts and allowances		(1,010,211)	(2)	(737,899)	(2)	(2,663,662)	(2)	(2,471,972)	(2)
4170	Rental revenue		3,218,669	8	3,165,108	8	9,498,276	7	9,638,248	8
4180	Service revenue	7	479,317	1	570,050	2	1,458,615	1	1,689,819	1
4200	Gains on disposals of investments	6(2)	3,375	-	15,020	-	39,459	-	16,377	-
4210	Gains on disposals of property, plant and equipment		4,589	-	1,044	-	10,516	-	4,969	-
4230	Income from investment property	6(12) and 7	34,060	-	26,373	-	101,431	-	78,077	-
4260	Foreign exchange gains		90,673	-	21,250	-	183,245	-	68,511	-
4270	Other income		425,201	1	411,172	1	1,213,482	1	1,180,294	1
4280	Unrealized profit from sales		(53,545)	-	(50,644)	-	(53,545)	-	(50,644)	-
4290	Realized profit from sales		98,060	-	66,179	-	35,419	-	49,409	-
	Total revenues		40,403,979	100	40,436,431	100	132,134,262	100	130,392,989	100
	Expenses									
5010	Interest expense	7	(415,952)	(1)	(362,630)	(1)	(1,190,167)	(1)	(1,119,258)	(1)
5030	Underwriting expenses		(39)	-	-	-	(99)	-	-	-
5040	Commission expenses	7	(592,941)	(2)	(379,899)	(1)	(1,645,960)	(1)	(1,170,610)	(1)
5050	Claims payment	7	(354,570)	(1)	-	-	(923,470)	(1)	-	-
5070	Net changes in other insurance liabilities		(144,713)	-	-	-	(94,686)	-	-	-
5110	Losses on financial assets (liabilities) at fair value through profit or loss	6(2)	(6,965)	-	(19,266)	-	(89,825)	-	(92,805)	-
5190	Cost of sales	6(7)(28) and 7	(29,574,269)	(73)	(30,829,697)	(76)	(99,761,019)	(76)	(100,715,480)	(77)
5200	Cost of rental revenue		(2,399,921)	(6)	(2,424,474)	(6)	(7,179,706)	(6)	(7,453,620)	(6)
5210	Cost of services		(166,856)	-	(170,222)	(1)	(465,425)	-	(479,521)	-
5230	**Operating expenses**	6(28)(29) and 7								
5231	Selling expenses		(1,968,552)	(5)	(1,691,031)	(4)	(5,535,220)	(4)	(5,011,203)	(4)
5232	General and administrative expenses		(1,391,526)	(4)	(1,095,829)	(3)	(4,147,559)	(3)	(3,229,130)	(3)
5233	Research and development expenses		(13,209)	-	(7,920)	-	(42,296)	-	(26,523)	-
5270	Expenses and losses from investment property	6(12)	(6,431)	-	(2,432)	-	(20,173)	-	(6,627)	-
5320	Other expenses		(9,059)	-	(5,901)	-	(22,644)	-	(10,545)	-
	Total expenses		(37,045,003)	(92)	(36,989,301)	(92)	(121,118,249)	(92)	(119,315,322)	(92)
6100	**Income before income tax from continuing operation**		3,358,976	8	3,447,130	8	11,016,013	8	11,077,667	8
6200	Income tax expense	6(30)	(549,626)	(1)	(546,539)	(1)	(2,117,218)	(1)	(1,889,504)	(1)
6500	**Profit for the period**		2,809,350	7	2,900,591	7	8,898,795	7	9,188,163	7

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)
(Reviewed, not audited)

			Three months ended September 30,				Nine months ended September 30,			
			2017		2016		2017		2016	
	Items	Notes	Amount	%	Amount	%	Amount	%	Amount	%
	Other comprehensive income (loss) for the period									
6650	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**									
6651	Financial statement translation differences of foreign operations		$ 71,317	-	($ 146,107)	-	($ 86,290)	-	($ 314,881)	-
6653	Unrealized gains from available-for-sale financial assets	6(3)	(30,250)	-	(62,643)	-	64,865	-	(13,304)	-
6655	Loss on effective portion of cash flow hedges	6(4)	6,913	-	(1,322)	-	(29,275)	-	(5,129)	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using equity method - components of other comprehensive income		-	-	-	-	-	-	(20,622)	-
6689	Income tax related to components of other comprehensive income	6(30)	(942)	-	225	-	2,619	-	872	-
6600	**Other comprehensive income (loss) for the period**		47,038	-	(209,847)	-	(48,081)	-	(353,064)	-
6700	**Total comprehensive income for the period**		$ 2,856,388	7	$ 2,690,744	7	$ 8,850,714	7	$ 8,835,099	7
	Profit attributable to:									
6810	Owners of parent		$ 2,402,375	6	$ 2,563,508	6	$ 7,770,644	6	$ 8,194,184	6
6820	Non-controlling interests		406,975	1	337,083	1	1,128,151	1	993,979	1
			$ 2,809,350	7	$ 2,900,591	7	$ 8,898,795	7	$ 9,188,163	7
	Comprehensive income attributable to:									
6910	Owners of parent		$ 2,439,912	6	$ 2,381,685	6	$ 7,736,641	6	$ 7,891,111	6
6920	Non-controlling interests		416,476	1	309,059	1	1,114,073	1	943,988	1
			$ 2,856,388	7	$ 2,690,744	7	$ 8,850,714	7	$ 8,835,099	7
	Earnings per share (in dollars)	6(31)								
	Basic earnings per share		$	4.40	$	4.69	$	14.23	$	15.00
	Diluted earnings per share	6(31)	$	4.40	$	4.69	$	14.22	$	14.99

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
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

		Equity attributable to shareholders of the parent										
				Retained earnings			Other equity					
	Notes	Share capital-common stock	Capital surplus – additional paid –in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain (loss) from available-for-sale financial assets	Loss on effective portion of cash flow hedges	Total	Non-controlling interest	Total equity
For the nine months ended September 30, 2016												
Balance at January 1, 2016		$ 5,461,792	$ 263,060	$ 7,285,058	$ 381,843	$ 24,863,218	$ 372,709	$ 738,780	($ 2,321)	$ 39,364,139	$ 6,412,823	$ 45,776,962
Appropriation and distribution of retained earnings:												
Legal reserve	6(25)	-	-	977,659	-	(977,659)	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	(478,412)	(7,032,562)
Profit for the period		-	-	-	-	8,194,184	-	-	-	8,194,184	993,979	9,188,163
Other comprehensive income (loss) for the period		-	-	-	-	-	(287,290)	(13,219)	(2,564)	(303,073)	(49,991)	(353,064)
Changes in ownership interests in subsidiaries		-	-	-	-	(5,028)	-	-	-	(5,028)	-	(5,028)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	427,037	427,037
Balance at September 30, 2016		$ 5,461,792	$ 263,060	$ 8,262,717	$ 381,843	$ 25,520,565	$ 85,419	$ 725,561	($ 4,885)	$ 40,696,072	$ 7,305,436	$ 48,001,508
For the nine months ended September 30, 2017												
Balance at January 1, 2017		$ 5,461,792	$ 263,060	$ 8,262,717	$ 381,843	$ 28,074,357	($ 111,582)	$ 783,180	($ 9,125)	$ 43,106,242	$ 7,472,847	$ 50,579,089
Appropriation and distribution of retained earnings:												
Legal reserve	6(25)	-	-	1,074,004	-	(1,074,004)	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	(701,013)	(7,255,163)
Profit for the period		-	-	-	-	7,770,644	-	-	-	7,770,644	1,128,151	8,898,795
Other comprehensive income (loss) for the period		-	-	-	-	-	(80,496)	63,038	(16,545)	(34,003)	(14,078)	(48,081)
Change in non-controlling interest	6(33)	-	-	-	-	-	-	-	-	-	12,199	12,199
Balance at September 30, 2017		$ 5,461,792	$ 263,060	$ 9,336,721	$ 381,843	$ 28,216,847	($ 192,078)	$ 846,218	($ 25,670)	$ 44,288,733	$ 7,898,106	$ 52,186,839

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30 2017	2016
Cash flows from operating activities			
Consolidated profit before income tax		$ 11,016,013	$ 11,077,667
Adjustments to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss on financial assets and liabilities at fair value through profit or loss	6(2)	89,825	92,805
Bad debts expense and financial guarantee expense		1,029,239	807,562
Depreciation	6(11)(12)(28)	5,882,176	6,348,402
Amortization	6(28)	45,568	13,074
Provision for (reversal of) loss on rental assets	6(11)	135,837	2,357
Net gain on disposal of property, plant and equipment (not including rental property)		(10,516)	(4,969)
Share of profit of associates accounted for using equity method	6(10)	(1,265,642)	(1,912,927)
Interest expense		1,190,167	1,119,258
Interest income	6(26)	(3,355,453)	(2,755,293)
Unrealized profit from sales		53,545	50,644
Realized profit from sales		(35,419)	(49,409)
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		3,920,429	2,244,097
Notes and accounts receivable		(11,476,103)	(7,917,808)
Other receivables		(56,165)	110,762
Inventories		5,525,928	1,922,823
Prepayments		646,451	(1,063,295)
Reinsurance contract assets		(28,597)	-
Net changes in liabilities relating to operating activities			
Notes and accounts payable		(2,014,253)	1,176,033
Accrued expenses		421,126	308,069
Other payables		354,471	288,206
Commission payable		(178,650)	(81,480)
Due to reinsurance and ceding companies		146,808	-
Claims payable		(199,475)	-
Advance receipts		(124,802)	(81,380)
Other current liabilities		(126,602)	57,403
Provisions		885,559	5,006
Other liabilities		22,972	(5,994)
Cash generated from operations		12,494,437	11,751,613
Cash dividends received		1,130,135	2,418,245
Interest paid		(1,116,779)	(1,046,730)
Income tax paid		(2,121,380)	(2,181,775)
Interest received		3,372,979	2,725,840
Net cash provided by operating activities		13,759,392	13,667,193

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30 2017	2016
Cash flows from investing activities			
Net cash flow from acquisition of subsidiaries		($ 6,636,836)	$ -
Proceeds from capital reduction of available-for-sale financial assets		-	23,032
Decrease in available-for-sale financial assets		452,795	-
Increase in other financial assets		(504,111)	(16,346)
Acquisition of investments accounted for using equity method	6(10)	(298,864)	-
Acquisition of property, plant and equipment	6(11)	(9,960,160)	(9,076,964)
Proceeds from disposal of property, plant and equipment (not including rental assets)		29,901	30,846
Insurance compensation from disposal of property, plant and equipment		-	24,481
Acquisition of intangible assets	6(13)	(31,929)	-
Increase in other assets		(38,860)	(7,044)
Acquisition of investment property		-	(2,166)
Net cash used in investing activities		(16,988,064)	(9,024,161)
Cash flows from financing activities			
Proceeds from issuing bonds	6(17)	2,800,000	-
Increase (decrease) in short-term loans		49,365	(5,189,147)
Increase in short-term notes and bills payable		3,061,532	8,261,429
Proceeds from long-term loans		4,452,750	1,405,774
Repayment of long-term loans		(2,133,203)	(2,389,860)
Changes in non-controlling interests		-	427,036
Increase in guarantee deposits received		319,932	39,522
Cash dividends paid	6(25)	(6,554,150)	(6,554,150)
Cash dividends paid from subsidiaries to non-controlling interests		(701,013)	(478,412)
Net cash flows provided by (used in) financing activities		1,295,213	(4,477,808)
Net effect of changes in foreign currency exchange rates		(130,853)	(65,626)
(Decrease) increase in cash and cash equivalents		(2,064,312)	99,598
Cash and cash equivalents at beginning of period		12,024,515	10,406,462
Cash and cash equivalents at end of period		$ 9,960,203	$ 10,506,060

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

NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

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 and business of property insurance.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on November 10, 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")

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
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

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Defined benefit plans: employee contributions (amendments to IAS 19)	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 financial performance based on the Group's assessment.

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

When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a cash generating unit (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 an increase of disclosure information for asset impairment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 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
IFRS 9, 'Financial instruments'	January 1, 2018
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
Disclosure initiative (amendment to IAS 7)	January 1, 2017

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
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 financial performance based on the Group's assessment. The quantitative inpact will be disclosed when the assessment is complete.

A. Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'

To address the concerns about the different effective dates of IFRS 9, 'Financial instruments', and the forthcoming new standard IFRS 4, 'Insurance contract', which may result in different bases for measuring assets and liabilities, this amendment allows insurers who meet specific requirements as set out in IFRS 4, 'Insurance contract' to adopt temporary exemption from IFRS 9, 'Financial instruments', or to use overlay approach under IFRS 9, 'Financial instruments' alternatively.

B. 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). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(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.

C. 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.

D. 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.

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.

(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 are as follows:

New and revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Long-term interests in associates and joint ventures (amendments to IAS 28)	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise 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.

B. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall at initial recognition to disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

Except for the effects listed above, as of the reporting date of consolidated financial statements, the Group continuously assesses the impact on the financial status and business performance accompanied by other standards and interpretations and will disclose it after assessment.

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", "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance" and IAS 34, "Interim financial reporting" as endorsed by the FSC.

(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.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

(d) The insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the 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) For the subsidiaries included in the consolidated financial statements except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd. and Hotai Insurance Co., Ltd., which were evaluated and disclosed in accordance with their reviewed financial statements, other insignificant subsidiaries were evaluated and disclosed in accordance with their unreviewed financial statements.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Investor	Investee	Main business activities	September 30, 2017	December 31, 2016	September 30, 2016	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	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Reinvestment company	100.00	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	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	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	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	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	100.00	

Investor	Investee	Main business activities	Ownership (%) September 30, 2017	December 31, 2016	September 30, 2016	Note
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
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	70.00	
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	100.00	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service.Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chonging Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	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	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co.,Ltd.	Zao Zhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	-	Note 6
Shanghai Hoyu Motor Service Co.,Ltd.	Shanghai Heling Motor Service Co.,Ltd.	Sales and repairing of vehicles	25.00	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	20.00	Note 1
Shanghai Hoyu Motor Service Co.,Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	100.00	
Shanghai Heling Motor Service Co.,Ltd.	Shanghai Hede Used Vehicle Co.,Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	-	Note 5
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	66.04	66.04	66.04	

Investor	Investee	Main business activities	Ownership (%) September 30, 2017	December 31, 2016	September 30, 2016	Note
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	66.03	66.03	66.03	
Hozan Investment Co.,Ltd.	Hotai Insurance Co., Ltd.	Property Insurance	99.80	-	-	Note 4
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	-	-	20.00	Note 3
Hozan Investment Co., Ltd.	Ho Tai Cyber Connection Co., Ltd.	E-commerce platform services of used vehicles	100.00	-	-	Note 6
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Trading of used vehicles	-	-	51.00	Note 3
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	-	-	31.00	Note 3
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	Trading of used vehicles	-	-	51.00	Note 3
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	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	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	
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	100.00	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	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	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	

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

Note 2: The abovementioned investees whose equity were held directly or indirectly by the Group not exceeding 50%, were regarded as subsidiaries and consolidated in the Company's financial statements, since the Company could control over a half of voting rights in the Board of Directors.

Note 3: 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.

Note 4: In January 2017, Hozan Investment Co., Ltd. acquired 99.80% equity of Hotai Insurance Co., Ltd. (formerly Zurich Insurance Co., Ltd.) which was consolidated in the Company's financial statements since January 17, 2017.

Note 5: In January 2017, Shanghai Heling Motor Service Co., Ltd. acquired 100% equity of Shanghai Yangpu Heling Motor Sales & Service Co., Ltd. (formerly Shanghai

Inchcape Auto Sales & Service Co., Ltd) which was consolidated in the Company's financial statements since February 1, 2017.

Note 6: The investee was newly established in the third quarter of 2017.

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 September 30, 2017, December 31, 2016 and September 30, 2016 the non-controlling interest amounted to $7,898,106, $7,472,847 and $7,305,436, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

		Non-controlling interest			
		September 30, 2017		December 31, 2016	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	$ 3,088,462	33.967%	$ 2,911,470	33.967%
Hotai Leasing Co., Ltd.	Taiwan	1,064,496	33.958%	1,003,160	33.958%

		Non-controlling interest	
		September 30, 2016	
Name of subsidiary	Principal place of business	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	$ 2,799,659	33.967%
Hotai Leasing Co., Ltd.	Taiwan	967,030	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.		
	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	$ 102,474,558	$ 92,686,324	$ 90,384,926
Non-current assets	2,404,732	3,009,611	3,414,715
Current liabilities	(87,046,365)	(81,302,185)	78,556,262)
Non-current liabilities	(7,717,411)	(5,135,049)	(6,152,003)
Total net assets	$ 10,115,514	$ 9,258,701	$ 9,091,376

	Hotai Leasing Co., Ltd.		
	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	$ 2,032,707	$ 2,059,270	$ 2,010,343
Non-current assets	24,627,124	23,578,447	23,569,503
Current liabilities	(10,365,536)	(10,488,012)	(11,766,222)
Non-current liabilities	(13,159,550)	(12,195,805)	(10,977,123)
Total net assets	$ 3,134,745	$ 2,953,900	$ 2,836,501

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Three months ended September 30,	
	2017	2016
Revenue	$ 2,406,451	$ 3,013,562
Profit before income tax	516,325	431,537
Income tax expense	(98,799)	(80,021)
Profit for the period	417,526	351,516
Other comprehensive income for the period, net of tax	21,991	5,301
Total comprehensive income for the period	$ 439,517	$ 356,817
Comprehensive income attributable to non-controlling interests	$ 149,291	$ 121,200

	Hotai Finance Co., Ltd.	
	Nine months ended September 30,	
	2017	2016
Revenue	$ 7,047,920	$ 9,191,564
Profit before income tax	1,436,075	1,243,693
Income tax expense	(297,255)	(254,884)
Profit for the period	1,138,820	988,809
Other comprehensive loss for the period, net of tax	(53,331)	(52,961)
Total comprehensive income for the period	$ 1,085,489	$ 935,848
Comprehensive income attributable to non-controlling interests	$ 368,708	$ 317,879

	Hotai Leasing Co., Ltd.	
	Three months ended September 30,	
	2017	2016
Revenue	$ 3,757,520	$ 3,791,661
Profit before income tax	170,535	143,389
Income tax expense	(32,699)	(17,286)
Profit for the period	137,836	126,103
Other comprehensive income (loss) for the period, net of tax	8,960	(19,850)
Total comprehensive income for the period	$ 146,796	$ 106,253
Comprehensive income attributable to non-controlling interests	$ 49,849	$ 36,081

	Hotai Leasing Co., Ltd.	
	Nine months ended September 30,	
	2017	2016
Revenue	$ 11,280,026	$ 11,687,228
Profit before income tax	484,484	415,131
Income tax expense	(106,864)	(82,289)
Profit for the period	377,620	332,842
Other comprehensive loss for the period, net of tax	(15,570)	(46,666)
Total comprehensive income for the period	$ 362,050	$ 286,176
Comprehensive income attributable to non-controlling interests	$ 122,945	$ 97,180

Statements of cash flows

	Hotai Finance Co., Ltd.	
	Nine months ended September 30,	
	2017	2016
Net cash used in operating activities	($ 6,115,651)	($ 1,441,138)
Net cash used in investing activities	(610,098)	(719,794)
Net cash provided by financing activities	7,819,464	2,330,953
Net effect of changes in foreign currency exchange rates	13,757	(109,295)
Increase in cash and cash equivalents	1,107,472	60,726
Cash and cash equivalents, beginning of period	472,262	521,686
Cash and cash equivalents, end of period	$ 1,579,734	$ 582,412

	Hotai Leasing Co., Ltd.	
	Nine months ended September 30,	
	2017	2016
Net cash provided by operating activities	$ 8,395,421	$ 5,399,315
Net cash used in investing activities	(9,192,723)	(4,640,159)
Net cash provided by (used in) financing activities	821,737	(773,366)
Increase (decrease) in cash and cash equivalents	24,435	(14,210)
Cash and cash equivalents, beginning of period	197,106	256,199
Cash and cash equivalents, end of period	$ 221,541	$ 241,989

(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 "foreign exchange gains or losses".

B. Translation of foreign operations

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:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(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 recognised and derecognised 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 recognised in other comprehensive income. When derecognising the financial assets, the accumulated gains or losses should be reclassified from equity into profits or losses.

D. The realized gains or losses on available-for-sale financial assets recognized in the statement of comprehensive income includes profit and losses and dividends arising from transactions except interest 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) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(11) 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'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through 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.

(c) Other financial assets

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, 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 recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Allowance for bad debts

Allowance for doubtful accounts for receivables and claims recoverable from reinsurers and due from reinsurance and ceding companies of reinsurance contract assets are assessed and recognized in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', and IFRS 4, 'Insurance contracts'.

(13) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained the control of the financial asset.

(14) 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.

(15) <u>Inventories</u>

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.

(16) <u>Investments accounted for using equity method / associates</u>

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.

(17) 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 ～ 60 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

(18) Operating leases (lessee)

A. If the Company is a lessee, leased assets will not be recognized in the balance sheet. Payments that the Company receives or charges under the operating lease are recognized as 'income from investment property' and 'expenses and losses from investment property'. Rental income and expenses from operating lease include rental rewards and confirmed long-term future rent adjustment, which are recognized as gain and loss on a straight-line basis over the lease terms.

B. 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. The Company leases in equipment under finance lease. At the lease's commencement, the lower of the fair value of the leased asset and the present value of the minimum lease payments is capitalized. Finance lease payments of each period are apportioned between the interest expenses on finance lease and the reduction of the outstanding liability. The interest expenses is recognized in the statement of comprehensive income within 'interest expense'. Total minimum lease payments, net of the interest expenses on finance lease, is recognized as 'payables'.

(19) Investment property

A. An investment property is stated initially at its cost and measured subsequently using the cost model.

B. The significant improvements, additions and betterments of an item of investment property shall be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. General repairs and maintenance are charged to current expenses.

C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain and loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain and loss on investment property under net investment income (loss). Except for land, property (including accessory equipment) is depreciated on a straight-line basis over its estimated useful life of 5～60 years. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(20) Intangible assets

A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 2~3 years.

B. Goodwill

Goodwill arises from business combination accounted for using the acquisition method. Goodwill acquired in business combination shall be tested for impairment at least once a year. Impairment loss is recognized when the goodwill is impaired. Impairment loss of goodwill that has been recognized shall not be reversed.

C. Client relationship

Arising from business combination, and amortized on a straight-line basis over 30 years.

(21) Impairment of non-financial assets

A. 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. Except for goodwill, 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.

B. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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 'interest expense' over the period of bond circulation using the effective interest method.

(27) 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.

(28) 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 'Gains (losses) on financial assets and liabilities at fair value through profit or loss'.

(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 'interest expense'.

(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.

(29) 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. For details of provisions for other insurance liabilities, please refer to Note 4(36).

(30) 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

(a) 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.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and immediately presented in retained earnings.

iii. Past-service costs are recognized immediately in profit or loss.

iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations, curtailments, settlements, or other significant one-off events. And, the related information should be disclosed accordingly.

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. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' 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.

(31) Classification of insurance contracts

The insurance and reinsurance businesses of the subsidiary, Hotai Insurance Co., Ltd. for insurance contracts newly issued or undertaken are accounted for in accordance with IFRS 4, 'Insurance Contracts'. They are tested in accordance with the subsidiary's internal control procedures to classify newly issued insurance products. Currently, insurance policies sold by Hotai Insurance Co., Ltd. are all insurance contracts.

Insurance contract is a contract under which one party (the insurer) accepts significant risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held. The definition of significant transferred risks employed by Hotai Insurance Co., Ltd. refers to an occurrence of any event or incident that leads to Hotai Insurance Co., Ltd.'s additional significant payment.

(32) Direct insurance income and expenses

A. Direct premiums are recognized in the year the insurance policies are issued without regard to the effective dates of the policies except premiums related to open cover policies which are recognized in the year they are earned. Premiums adjustments, including policy cancellations, are recorded in the year they occur.

B. Claims are accrued after the claim letters are received.

C. Commission expenses are accrued after the policies are issued.

(33) Reinsurance contract

Reinsurance premiums ceded and reinsurance premiums are recognized on the date the bills are received. A sufficient and reasonable method should be adopted to estimate reinsurance premiums ceded. Relevant revenues and expenses (such as reinsurance commission expenses and revenues, handing fee expenses and revenues, reinsurance claims recovery, etc.) shall all be recognized.

With the classification of reinsurance contracts, Hotai Insurance Co., Ltd. assesses whether significant insurance risk transferred to the reinsurer. If the significant insurance risks of reinsurance contracts are not transferred to reinsurer, the subsidiary should treat reinsurance contracts as deposit accounting.

Hotai Insurance Co., Ltd. evaluates the impairment losses and unrecoverable amounts of reinsurance reserve assets, claims recoverable from reinsurers, due from reinsurers and ceding companies and funds held by other insurance companies. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer, the cedant reduces the carrying amount accordingly and recognizes the provision for impairment loss. Allowance for doubtful debts of recoverable from the reinsurers, due from reinsurers and ceding companies and funds held by other insurance companies is recognized when the cedant may not receive all amounts.

(34) Salvage and subrogation

Salvage legally assumed from the claim procedure by direct written business and subrogation legally acquired for the rights of the subject matter and relevant claims expenses are recognized when the actual recovery is definite and the amount can be reliably measured.

(35) Underwriting pools and coinsurance

Hotai Insurance Co., Ltd. has participated in the coinsurance of compulsory automobile liability insurance, residential earthquake fund, engineering insurance association, injury insurance for acts of terrorism co-insurance organizations and Nuclear Energy Insurance Federation of the Republic of China. The Company recognizes coinsurance premiums based on its participation share.

(36) Insurance liabilities

All reserves of insurance contracts that Hotai Insurance Co., Ltd. recognized are based on "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance", "Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises", "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Notes for Strengthening Reserve of Pool Members Residential Earthquake", "Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises" and "Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises", and shall be certified by actuary authorized by the Financial Supervisory Commission.

Except for the reserves for one-year group accident insurance which is provided based on the higher of actual insurance premium or insurance premium calculated in accordance with the Tai-Tsai-Bao Letter No. 852367814, the provision for other insurance liabilities is based on the following:

A. Unearned premium reserve

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period based on unexpired risks of effective and unexpired contracts or covered risks.

B. Claims reserve

Claims reserve with a coverage period are provided based on claim experience and expenses of various insurance types and are calculated based on actuarial principles. Besides, reserves are provided for "claims reported but not paid" and "claims incurred but not reported". For "claims reported but not paid", a reserve has been provided on an individual claim basis for each type of insurance.

C. Special reserve

Special reserves includes "catastrophe reserve" and "risk claim reserve". Except for compulsory automobile liability insurance, nuclear insurance, residential earthquake insurance and commercial earthquake and typhoon flood insurance which are covered by other regulations requiring reserves for them to be recognized under liability, the additional provision for special reserve less income tax should be recognized as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

D. Premium deficiency reserve

Potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount is recognized as premium deficiency reserve by product types.

E. Liability adequacy reserve

In accordance with IFRS 4, 'Insurance Contracts' and the regulations of The Actuarial Institute of the Republic of China, the subsidiary's liability adequacy test is performed using the gross premium valuation method based on all contracts of the subsidiary. At the end of each reporting period, the test is performed by comparing the carrying amount of insurance liabilities less related deferred acquisition costs and related intangible assets with current estimates of future cash flows under its insurance contracts. If the carrying amount is insufficient, the provision for liability adequacy reserve for the entire deficiency is recognized in profit or loss in the period.

F. Unqualified ceded reserve

Unqualified reinsurance ceded reserve under "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", should be disclosed in financial statements.

Among the reserves above, except unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(37) 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.

G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(38) 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.

(39) 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.

(40) 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.

D. Recognition of insurance revenue and deferred acquisition cost

The insurance business of Hotai Insurance Co., Ltd. were as follows:

(a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Note 4(32) and (33).

(b) Commission revenue is recognized on the accrual basis of the service period.

(41) <u>Business combinations</u>

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date. All acquisition-related costs are expensed as incurred. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identified net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identified assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(42) 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 4th year or 20 thousand-kilometer limited warranty for all vehicles in the Toyota and Lexus line-up. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(21) "Provisions" for more information.

C. Impairment assessment of goodwill and customer relation

The impairment assessment of goodwill and customer relation relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill and customer relation to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(13) for details.

D. Doubtful accounts valuation of accounts receivable

For the subsidiary, Hotai Finance Co., Ltd., the provision for doubtful accounts of accounts receivable is recognized 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.

E. Insurance liabilities

The estimates and significant assumptions of Hotai Insurance Co., Ltd.'s insurance contracts are used for claim reserve liabilities and claim reserve assets ceded.

The claim reserve liabilities are estimated through adoption of internationally accepted actuarial methods, nature or location of insurance risks, claim payment development module, experience data, and etc., which resulted in a reasonable ultimate claims paid amount. The calculation for reported but not paid claims are based on the experience of claim handling experts by each case and the remaining shall be incurred but not reported reserve.

For claim reserve assets ceded, the amounts of claim reserve recovered from reinsurers are estimated for each insurance case.

Hotai Insurance Co., Ltd.'s significant assumptions for claims reserve include:

(A) Loss development factors: properly chosen loss development factors based on experience over the past few years.

(B) Expected loss ratio for each insurance line of business and accident year: the expected loss ratio is selected based on the historical loss trends of each insurance line of business and accident years.

The abovementioned assumptions exclude earthquake insurances, compulsory automobile insurances and nuclear insurances, while their reserves are provided in accordance with the regulatory requirements.

Analysis of insurance risk sensitivity is provided in Note 12 (6) (b).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand and revolving funds	$ 12,387	$ 10,981	$ 15,110
Checking accounts and demand deposits	5,435,674	4,450,256	4,024,861
Cash equivalents			
Time deposits	1,555,194	780,306	469,961
Short-term notes and bills	2,956,948	6,782,972	5,996,128
	$ 9,960,203	$ 12,024,515	$ 10,506,060

A. 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.

B. In accordance with the Regulations Governing the Setting Aside and Management of Reserves of Compulsory Automobile Liability Insurance, the demand deposits and time deposits which Hotai Insurance Co., Ltd. deposits in the financial institutions are as follows:

	September 30, 2017
Demand deposits	$ 57,806
Time deposits	1,439,463

C. As of September 30, 2017, Hotai Insurance Co., Ltd. presented its long-term time deposits of $1,426,229 under other financial assets.

D. Of the short-term notes held by Hotai Insurance Co., Ltd., investments in notes issued under reverse repurchase agreements have obtained notes as collateral. The maximum exposure amount after receiving financial collateral is the net amount after offsetting. For related explanations, please refer to Note 6(6). In addition, for the credit risk of cash and cash equivalents, please refer to the explanation in Note 12(5).

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

	September 30, 2017	December 31, 2016	September 30, 2016
Current items:			
Financial assets held for trading			
Domestic open-ended quasi money market fund	$ 663,691	$ 4,584,120	$ 1,497,093
Non-hedging derivative instruments	48,102	126,282	-
Valuation adjustment	2,766	3,667	2,639
	$ 714,559	$ 4,714,069	$ 1,499,732
Financial liabilities held for trading			
Non-hedging derivative instruments	($ 4,792)	$ -	($ 31,186)

A. The Group recognized net loss of $3,590, $4,245, $50,366 and $76,428 on financial assets held for trading for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively.

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

	September 30, 2017		December 31, 2016	
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 239,950	2017.7.10~ 2017.12.24	USD 252,300	2016.10.17 ~2017.3.14
Foreign exchange swap contracts	USD 26,800	2017.8.17~ 2017.12.29		
	JPY 41,702	2017.9.8~ 2017.10.31		

	September 30, 2016	
Derivative instruments	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 247,670	2016.7.19~ 2016.12.14

The Group entered into forward foreign exchange contracts and foreign exchange swap contracts to buy USD to hedge exchange rate risk of import proceeds and foreign investments. However, these forward foreign exchange contracts and foreign exchange swap contracts are not accounted for under hedge accounting. In addition, Hotai Insurance Co., Ltd. considers the maximum exposure amount after master netting arrangements as the net amount after offsetting. Please refer to Note 6(6) for details.

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

(3) Available-for-sale financial assets

	September 30, 2017	December 31, 2016	September 30, 2016
Current items:			
Exchange traded funds	$ 586,715	$ -	$ -
Listed stocks	492,280		
Government bonds	200,600	-	-
Financial products	95,943	-	-
Financial bills	50,018	-	-
Foreign corporate and financial bonds	24,406	-	-
	1,449,962	-	-
Valuation adjustment of available-for-sale financial assets	96,818	-	-
Less: Operating bonds	(252,100)	-	-
	$ 1,294,680	$ -	$ -
Non-current items:			
Government bonds	$ 1,955,778	$ -	$ -
Domestic corporate bonds	1,311,181	-	-
Foreign corporate and financial bonds	862,213	-	-
Financial bills	699,772	-	-
Listed stocks and unlisted stocks	336,884	337,207	337,677
	5,165,828	337,207	337,677
Valuation adjustment of available-for-sale financial assets	565,475	490,005	454,890
Less: Operating bonds	(48,200)	-	-
	$ 5,683,103	$ 827,212	$ 792,567

A. The Group recognized (loss) or gain of ($30,250), ($62,643), $64,865 and ($13,304) in other comprehensive income for fair value change for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017, and 2016, respectively.

B. Hotai Insurance Co., Ltd. recognized interest income of $22,159 and $59,444 on available-for-sale financial assets for three months ended September 30, 2017 and from January 17, 2017 to September 30, 2017, respectively.

C. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of September 30, 2017, government bonds with par value both of $300,300 were deposited and shown as ‘‘other assets’’, please refer to Note 6(14).

(4) Hedge accounting

	September 30, 2017	December 31, 2016	September 30, 2016
Current items:			
Derivative financial assets for hedging - current			
Cross currency swaps-cash flow hedges	$ -	$ 95,231	$ 216,353
Derivative financial liabilities for hedging - current			
Interest rate swaps-cash flow hedges	$ -	$ -	($ 280)
Cross currency swaps-cash flow hedges	(318,725)	(56,072)	(116,280)
	($ 318,725)	($ 56,072)	($ 116,560)

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 September 30, 2017	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss
Short-term loans	Cross currency swaps	($ 318,725)	2015.4~2020.3	2015~2020

	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

Hedged items	Designated as hedging instruments: Derivative instruments designated as hedges	Designated as hedging instruments: Fair value September 30, 2017	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	($ 280)	2013.11~2016.11	2013~2016
Short-term loans	Cross currency swaps	$ 100,073	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 September 30, 2017 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.

(c) The Group's main floating rates on interest rate swaps and cross currency swaps were TWCP 90 days, Libor 3 months and Libor/Tibor 6 months, and the fixed interest rates on interest rate swaps ranged between 1.0%～1.085%.

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

Items	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Amount of gain or loss adjusted in other comprehensive income	($ 29,275)	($ 5,129)
Amount of gain or loss transferred from other comprehensive income to profit or loss	(11,931)	(1,368)

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

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	$ 2,108,045	$ 1,421,599	$ 2,184,598
Installment notes receivable	7,237,965	8,367,338	8,451,170
Accounts receivable	5,729,717	5,099,823	5,877,043
Installment accounts receivable	84,734,469	78,483,442	74,622,725
Lease payments and notes receivable	14,309,333	8,749,444	8,289,387
Premiums receivable	333,836	-	-
Overdue receivable	28,884	-	-
	114,482,249	102,121,646	99,424,923
Less: Unrealized interest income	(9,260,503)	(7,979,097)	(7,308,965)
Allowance for doubtful accounts	(1,521,202)	(1,302,284)	(1,280,442)
Notes and accounts receivable, net	$ 103,700,544	$ 92,840,265	$ 90,835,516

As of September 30, 2017, December 31, 2016 and September 30, 2016, the subsidiary – Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to $5,886,855, $6,879,557 and $7,233,702, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to $1,945,715, $2,380,397 and $1,907,132 as of September 30, 2017, December 31, 2016 and September 30, 2016, 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Up to 12 months	$ 37,903,813	$ 36,366,647	$ 35,668,479
Over 12 months	54,068,621	50,484,133	47,405,416
	$ 91,972,434	$ 86,850,780	$ 83,073,895

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

(a) As of September 30, 2017, December 31, 2016 and September 30, 2016, a portion of the Group's accounts receivable that were past due had been impaired amounting to $1,689,204, $1,414,614 and $1,837,991, respectively.

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

	Nine months ended September 30,	
	2017	2016
At January 1	$ 1,302,284	$ 1,168,514
Acquired from business combinations	23,479	-
Provisions during the period	850,816	696,340
Write-offs during the period	(654,204)	(574,752)
Others	(1,173)	(9,663)
At September 30	$ 1,521,202	$ 1,280,439

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 September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

	September 30, 2017		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 8,601,103	($ 943,641)	$ 7,657,462
Later than one year but not later than five years	5,708,010	(690,993)	5,017,017
Over five years	220	-	220
	$ 14,309,333	($ 1,634,634)	$ 12,674,699

	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

	September 30, 2016		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 6,435,756	($ 646,925)	$ 5,788,831
Later than one year but not later than five years	1,853,415	(451,302)	1,402,113
Over five years	216	(3)	213
	$ 8,289,387	($ 1,098,230)	$ 7,191,157

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) Offsetting financial assets and financial liabilities

A. The derivatives and reverse repurchase agreement held by Hotai Insurance Co., Ltd. do not conform to the offsetting requirements under paragraph 42 of IAS 32. However, the subsidiary has entered into enforceable master netting arrangements or similar agreements with counterparties. Upon the event of a delinquency (default, insolvency or bankruptcy) of a party, the counterparties may set-off the netting arrangement or pursue legal action against the collateral. The related amount of the collateral received (paid) is its fair value. However, the offsetting amount is limited to recognized financial assets (liabilities).

B. Financial assets and financial liabilities subject to master netting arrangements are as follows:

	September 30, 2017					
	Financial assets					
				Not set off in the balance sheets		
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)- (e)
Reverse repurchase agreement	$1,659,315	$ -	$ 1,659,315	$ -	$1,659,315	$ -

As of December 31, 2016 and September 30, 2016, the Group held no financial assets and financial liabilities with net settlement master netting arrangements.

(7) Inventories

	September 30, 2017		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	$ 3,970,869	($ 72,162)	$ 3,898,707
Air conditioner and parts	2,272,797	(361,564)	1,911,233
Other goods	145,484	(7,341)	138,143
Inventory in transit	1,344,250	-	1,344,250
	$ 7,733,400	($ 441,067)	$ 7,292,333

	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	2,111,401	(279,554)	1,831,847
Other goods	82,888	(7,341)	75,547
Inventory in transit	1,412,341	-	1,412,341
	$ 9,463,766	($ 353,412)	$ 9,110,354

	September 30, 2016		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	$ 3,789,312	($ 64,034)	$ 3,725,278
Air conditioner and parts	2,281,495	(257,280)	2,024,215
Other goods	141,027	(6,756)	134,271
Inventory in transit	1,887,778	-	1,887,778
	$ 8,099,612	($ 328,070)	$ 7,771,542

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

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

	Three months ended September 30,	
	2017	2016
Cost of goods sold	$ 29,520,872	$ 30,810,725
Loss on market value decline of inventories	53,397	18,972
	$ 29,574,269	$ 30,829,697

	Nine months ended September 30,	
	2017	2016
Cost of goods sold	$ 99,673,364	$ 100,682,096
Loss on market value decline of inventories	87,655	33,384
	$ 99,761,019	$ 100,715,480

(8) Prepayments

	September 30, 2017	December 31, 2016	September 30, 2016
Deferred commissions expense	$ 2,323,340	$ 2,234,216	$ 2,170,686
Prepayments to suppliers	1,856,311	2,475,509	1,685,089
Other prepayments	1,811,868	1,898,829	2,119,217
	$ 5,991,519	$ 6,608,554	$ 5,974,992

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	September 30, 2017
Claims recoverable from reinsurers	$ 23,131
Due from reinsurance and ceding companies	182,529
Reinsurance reserve assets	
-Ceded unearned premium reserve	594,764
-Ceded claims reserve	806,756
Due from reinsurance and ceding companies-overdue	5,724
	1,612,904
Less: Allowance for bad debts	(7,014)
	$ 1,605,890

As of December 31 and September 30, 2016, the Group had no reinsurance contract assets.

For the credit risk of reinsurance contract assets, please refer to Note 12 (5).

B. Movements of allowance for bad debts of reinsurance contract assets are as follows:

	Nine months ended September 30, 2017
Acquired from business combinations	$ 3,332
Provisions during the period	3,682
At September 30	$ 7,014

For the nine months ended September 30, 2016, the Group had no allowance for bad debts of reinsurance contract assets.

C. Details of insurance liabilities are as follows:

	September 30, 2017
Unearned premium reserve	$ 2,802,534
Claims reserve	2,424,942
Special reserve	1,887,158
	$ 7,114,634

As of December 31 and September 30, 2016, the Group had no insurance liabilities.

D. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

	Nine months ended September 30, 2017		
	Gross amount	Ceded amount	Net amount
Acquired from business combinations	$ 1,952,197	$ 488,996	$ 1,463,201
Provision during the period	2,802,534	594,764	2,207,770
Recovery during the period	(1,952,197)	(488,996)	(1,463,201)
At September 30	$ 2,802,534	$ 594,764	$ 2,207,770

For the nine months ended September 30, 2016, the Group had no ceded unearned premium reserve and unearned premium reserve.

E. Details of claims reserve and movements of ceded claims reserve and claims reserve are as follows:

(a) As of September 30, 2017, details of claims reserve and ceded claims reserve are as follows:

	September 30, 2017		
	Gross amount	Ceded amount	Net amount
Reported but not paid	$ 1,459,043	$ 571,005	$ 888,038
Incurred but not reported	965,899	235,751	730,148
	$ 2,424,942	$ 806,756	$ 1,618,186

As of December 31 and September 30, 2016, the Group had no claims reserve and ceded claims reserve.

(b) Movements of claims reserve and ceded claims reserve are as follows:

	Nine months ended September 30, 2017		
	Gross amount	Ceded amount	Net amount
Acquired from business combinations	$ 2,449,737	$ 892,662	$ 1,557,075
Provision during the period	2,424,942	806,756	1,618,186
Recovery during the period	(2,449,737)	(892,662)	(1,557,075)
At September 30	$ 2,424,942	$ 806,756	$ 1,618,186

For the nine months ended September 30, 2016, the Group had no claims reserve and ceded claims reserve.

F. Movement of special reserve is as follows:

	Nine months ended September 30, 2017
Acquired from business combinations	$ 1,853,583
Provision during the period	34,701
Recovery during the period	(1,126)
At September 30	$ 1,887,158

For the nine months ended September 30, 2016, the Group had no special reserve.

To Hotai Insurance Co., Ltd., the insurance types of the special reserve include compulsory automobile liability insurance, nuclear insurance, policy earthquake insurance and typhoon and flood insurance.

G. Pursuant to Jin-Guan-Pao-Tsai Letter No. 10102515061, "Guidelines for Strengthening Catastrophe Reserve of Property Insurance Enterprises", special reserve recognized under liabilities shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon flood insurance. The remaining, net of income tax, shall be recognized as special reserve under stockholders' equity in accordance with IAS 12.

If the above is not taken into consideration, the effects on liabilities, equity, profit and earnings per share to the Group are as follows:

	September 30, 2017
Decrease in special reserve under liability	$ 386,160
Increase in special reserve under retained earnings	320,513

	Three months ended September 30, 2017
Decrease in net income before tax	$ 398
Decrease in earnings per share before tax	-

	Nine months ended September 30, 2017
Increase (decrease) in net loss (income) before tax	$ 1,126
Increase (decrease) in earnings (losses) per share before tax	-

As of December 31 and September 30, 2016, the Group had no special reserve.

H. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, "Guidelines for Strengthening Reserve of Pool Members Residential Earthquake" and Jin-Guan-Pao-Tsai Letter No. 10102517091, "Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises", Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities for the nine months ended September 30, 2017.

If the above is not taken into consideration, the effects on liabilities, equity and profit to the Group are as follows:

	September 30, 2017
Decrease in special reserve under liability	$ 223,894
Increase in special reserve under retained earnings	185,832

As of December 31 and September 30, 2016, the Group had no special reserve.

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the nine months ended September 30, 2017.

(10) Investments accounted for using equity method

	September 30, 2017	December 31, 2016	September 30, 2016
Kuozui Motors, Ltd.	$ 4,470,095	$ 4,396,283	$ 4,041,159
Central Motor Co., Ltd.	2,403,134	2,408,428	2,383,169
Tau Miau Motor Co., Ltd.	1,390,366	1,406,260	1,363,707
Kau Du Automobile Co., Ltd.	1,311,755	1,331,838	1,318,393
Kuotu Motor Co., Ltd.	944,347	914,894	899,471
Taipei Toyota Motor Co., Ltd.	907,362	918,227	924,128
Nan Du Motor Co., Ltd.	878,193	870,861	844,118
Lang Yang Toyota Motor Co., Ltd.	281,147	282,242	278,727
Formosa Flexible Packaging Corp.	268,457	263,309	261,907
Shi-Ho Screw Industrial Co., Ltd.	130,599	131,726	133,274
Yokohama Tire Taiwan Co., Ltd., etc.	1,218,750	872,806	853,065
	$ 14,204,205	$ 13,796,874	$ 13,301,118

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 September 30, 2017, December 31, 2016 and September 30, 2016, the carrying amount of the Group's individually immaterial associates amounted to $14,204,205, $13,796,874 and $13,301,118, respectively.

	Three months ended September 30,	
	2017	2016
Comprehensive income for the period	$ 375,899	$ 346,837

	Nine months ended September 30,	
	2017	2016
Comprehensive income for the period	$ 1,256,727	$ 1,880,886

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to $368,955, $358,256, $1,265,642 and $1,912,927 for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively, and were valued based on the investees' financial statements that were not reviewed by the independent accountants.

C. The Group acquired 40% of the share capital of Heng Yun Investment Co., Ltd. for $298,864 in January 2017.

(11) Property, plant and equipment

	Land	Buildings and structures	Utility equipment	Office equipment	Machinery and equipment	Rental assets (Note)	Leasehold improvements	Construction in progress	Total
At January 1, 2017									
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
Nine months ended September 30, 2017									
Opening 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
Additions	17,586	5,044	826	118,410	23,341	9,559,156	82,140	153,657	9,960,160
Acquired from business combinations	643,509	68,245	-	85,420	3,826	5,711	15,531	-	822,242
Disposals	-	(2)	-	(18,483)	(107)	(3,618,135)	(793)	-	(3,637,520)
Reclassifications	25,301	283,432	-	20,242	6,938	67,619	8,518	(318,179)	93,871
Depreciation	-	(108,003)	(662)	(112,177)	(21,157)	(5,582,208)	(44,695)	-	(5,868,902)
Provision for loss on rental assets	-	-	-	-	-	(135,837)	-	-	(135,837)
Net exchange differences	-	(13,822)	(3)	(2,899)	(588)	(42,485)	(172)	-	(59,969)
Closing net book amount	$ 5,941,066	$ 2,620,252	$ 3,861	$ 460,980	$ 132,378	$25,392,527	$ 243,426	$ 85,732	$ 34,880,222
At September 30, 2017									
Cost	$ 4,621,949	$ 4,274,794	$ 136,956	$ 1,479,746	$ 359,556	$39,145,954	$ 637,602	$ 85,732	$ 50,742,289
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(1,666,621)	(133,095)	(1,018,766)	(227,178)	(13,753,427)	(394,176)	-	(17,220,113)
	$ 5,941,066	$ 2,620,252	$ 3,861	$ 460,980	$ 132,378	$25,392,527	$ 243,426	$ 85,732	$ 34,880,222

Note: 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 their 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.

	Land	Buildings and structures	Utility equipment	Office equipment	Machinery and equipment	Rental assets (Note)	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	12,079	-	-	-	-	-	-	1,384,012
Accumulated depreciation and impairment	(26,850)	(1,427,067)	(131,892)	(778,020)	(206,568)	(14,804,022)	(309,972)	-	(17,684,391)
	$ 5,319,483	$ 2,564,993	$ 3,350	$ 389,270	$ 171,567	$ 26,697,369	$ 234,636	$ 83,799	$ 35,464,467
Nine months ended September 30,2016									
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	-	63,859	1,112	92,556	17,479	8,676,394	27,525	198,039	9,076,964
Disposals	-	(256)	-	(17,576)	(628)	(3,731,929)	(31,898)	-	(3,782,287)
Reclassifications	(64,813)	(4,774)	-	3,235	(31,404)	1,967	3,343	(33,554)	(126,000)
Depreciation	-	(110,580)	(524)	(92,162)	(22,408)	(6,071,921)	(44,144)	-	(6,341,739)
Provision for loss on rental assets	-	-	-	-	-	(2,357)	-	-	(2,357)
Net exchange differences	-	(52,041)	(15)	(11,778)	(3,759)	(174,017)	(615)	-	(242,225)
Closing net book amount	$ 5,254,670	$ 2,461,201	$ 3,923	$ 363,545	$ 130,847	$ 25,395,506	$ 188,847	$ 248,284	$ 34,046,823
At September 30, 2016									
Cost	$ 3,935,553	$ 3,953,164	$ 136,205	$ 1,175,045	$ 338,313	$ 39,926,906	$ 525,414	$ 248,284	$ 50,238,884
Revaluation gain	1,345,967	12,080	-	-	-	-	-	-	1,358,047
Accumulated depreciation and impairment	(26,850)	(1,504,043)	(132,282)	(811,500)	(207,466)	(14,531,400)	(336,567)	-	(17,550,108)
	$ 5,254,670	$ 2,461,201	$ 3,923	$ 363,545	$ 130,847	$ 25,395,506	$ 188,847	$ 248,284	$ 34,046,823

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 their 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.

(12) Investment property

	Land	Buildings and structures	Total
At January 1, 2017			
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
Nine months ended September 30, 2017			
Opening net book amount	$ 649,829	$ 262,429	$ 912,258
Acquired from business combinations	923,163	52,343	975,506
Reclassifications	(25,301)	21,868	(3,433)
Depreciation	-	(13,274)	(13,274)
Closing net book amount	$ 1,547,691	$ 323,366	$ 1,871,057
At September 30, 2017			
Cost	$ 1,219,897	$ 640,404	$ 1,860,301
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(317,038)	(317,038)
	$ 1,547,691	$ 323,366	$ 1,871,057

	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
Nine months ended September 30, 2016			
Opening net book amount	$ 585,016	$ 211,702	$ 796,718
Additions	-	2,166	2,166
Reclassifications	64,813	9,710	74,523
Depreciation	-	(6,663)	(6,663)
Closing net book amount	$ 649,829	$ 216,915	$ 866,744
At September 30, 2016			
Cost	$ 322,040	$ 408,551	$ 730,591
Revaluation gain	327,789	-	327,789
Accumulated depreciation	-	(191,636)	(191,636)
	$ 649,829	$ 216,915	$ 866,744

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

	Three months ended September 30, 2017	Three months ended September 30, 2016
Rental income from investment property	$ 34,060	$ 26,373
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	$ 6,431	$ 2,432

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Rental income from investment property	$ 101,431	$ 78,077
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	$ 20,173	$ 6,627

B. The fair value of the investment property held by the Group was $2,190,665, $1,311,099 and $1,305,108 as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively, based on the market value method, except for Hotai Insurance Co., Ltd.. Hotai Insurance Co., Ltd. has done internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under "Regulations on Real Estate Appraisal" and adjust the financial statement disclosure accordingly.

(13) Intangible assets

	Goodwill	Client relationship	Computer software	Total
2017				
Additions-acquired from business combinations	$ 662,323	$ 527,106	$ 16,999	$ 1,206,428
Additions-acquired separately	-	-	31,929	31,929
Amortization	-	(12,446)	(11,325)	(23,771)
At September 30	$ 662,323	$ 514,660	$ 37,603	$ 1,214,586
At September 30, 2017				
Cost	$ 662,323	$ 527,106	$ 99,886	$ 1,289,315
Accumulated amortization and impairment	-	(12,446)	(62,283)	(74,729)
	$ 662,323	$ 514,660	$ 37,603	$ 1,214,586

As of December 31 and September 30, 2016, the Group had no intangible assets.

Details of amortization on intangible assets are as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016
Administrative expenses	$ 8,997	$ -

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Administrative expenses	$ 23,771	$ -

(14) Other assets

	September 30, 2017	December 31, 2016	September 30, 2016
Long-term accounts receivable	$ 437,328	$ 420,355	$ 413,768
Land use right	315,061	236,501	242,489
Operating bonds	300,300	-	-
Guarantee deposits paid	200,577	174,052	197,206
Prepayments for business facilities	57,528	93,608	85,542
Other	209,749	131,417	169,908
	$ 1,520,543	$ 1,055,933	$ 1,108,913

(15) Short-term loans

Type of loans	September 30, 2017	December 31, 2016	September 30, 2016
Bank loans			
Unsecured loans	$ 32,935,323	$ 30,210,478	$ 24,469,057
Mortgage loans	2,165,000	4,850,000	2,720,000
Mid-term syndicated loans for working capital	3,054,180	3,377,874	3,429,916
	$ 38,154,503	$ 38,438,352	$ 30,618,973
Annual interest rate	0.55%~5.22%	0.75%~4.96%	0.53%~4.96%

As of September 30, 2017, December 31, 2016 and September 30, 2016, 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

(16) Short-term notes and bills payable

	September 30, 2017	December 31, 2016	September 30, 2016
Commercial paper payable	$ 50,190,000	$ 47,130,000	$ 51,002,000
Less: unamortized discount	(29,857)	(31,389)	(26,655)
	$ 50,160,143	$ 47,098,611	$ 50,975,345
Annual interest rate	0.57%~1.53%	0.60%~1.54%	0.60%～1.54%

(17) Bonds payable

	September 30, 2017	December 31, 2016	September 30, 2016
Bonds payable	$ 3,800,000	$ 1,000,000	$ 1,000,000

The information of corporate bond issued by the Group's subsidiary, Hotai Finance Co., Ltd. that has been approved by the competent authority are as follows:

A. The first unsecured ordinary corporate bonds in 2014, the total amount was $1,000,000, the coupon rate was 2% with 3-year periods, the outstanding period was from November 7, 2014 to November 7, 2017, the bonds would be repaid at face value in a lump sum with cash on the due date.

B. The first unsecured ordinary corporate bonds in 2016, the total amount was $2,800,000, the coupon rate was 0.93% with 3-year periods, the outstanding period was from January 11, 2017 to January 11, 2020, the bonds would be repaid at face value in a lump sum with cash on the due date.

(18) Long-term loans

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured loans	$ 5,577,279	$ 3,457,972	$ 4,132,448
Mortgage loans	100,000	350,000	350,000
Commercial papers payable	4,950,000	4,500,000	3,500,000
Less: unamortized discount	(5,909)	(6,149)	(5,689)
	10,621,370	8,301,823	7,976,759
Less: current portion	(2,398,603)	(3,338,562)	(3,097,413)
	$ 8,222,767	$ 4,963,261	$ 4,879,346
Loans interest rate range	0.92%~6.05%	0.92%~8.82%	0.94%～4.97%

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 September 30, 2017, 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	$ 2,400,116
1 to 2 years	2,784,694
2 to 3 years	5,442,469
	$ 10,627,279

C. The Group has undrawn borrowing facilities of $13,782,470, $13,344,547 and $12,720,096 as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

(19) Accrued expenses

	September 30, 2017	December 31, 2016	September 30, 2016
Wages and salaries payable	$ 1,253,087	$ 1,442,861	$ 1,113,437
Dealer bonus payable	1,221,371	579,626	1,112,229
Remuneration payable to employees	383,840	433,353	331,650
Remuneration payable to directors and supervisors	187,871	252,338	193,552
Interest payable	188,843	115,455	162,571
Others	1,170,750	1,014,594	966,366
	$ 4,405,762	$ 3,838,227	$ 3,879,805

(20) Pensions

A. Defined benefit pension

(a) The Group has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to the pension cost stated in the actuarial report to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Group will make contributions to cover the deficit by next March.

(b) For the aforementioned pension plan, the Group recognized pension costs of $1,352, $0, $3,871 and $0 for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively.

B. 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 China subsidiaries have no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, were $58,855, $54,852, $177,418 and $158,856, respectively.

(21) Provisions

	Provisions for employee benefits	Warranty	Total
At January 1, 2017	$ -	$ 2,317,337	$ 2,317,337
Acquired from business combinations	22,423	-	22,423
Additional provisions during the period	-	703,135	703,135
Used during the period	-	(798,782)	(798,782)
Unused amounts reversed during the period	-	97,500	97,500
At September 30, 2017	$ 22,423	$ 2,319,190	$ 2,341,613

Provisions for employee benefits is shown as 'provisions – non-current', and the analysis of provision for warranty is as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Current (shown as other current liabilities)	$ 1,077,377	$ 1,101,965	$ 1,342,583
Non-current	$ 1,241,813	$ 1,215,372	$ 1,061,219

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.

(22) Guarantee deposits received

	September 30, 2017	December 31, 2016	September 30, 2016
Deposits received for car rentals	$ 11,607,110	$ 11,277,157	$ 11,218,843
Others	29,183	34,478	31,621
	$ 11,636,293	$ 11,311,635	$ 11,250,464

(23) Share capital

As of September 30, 2017, 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, 2017 and September 30, 2017 was both 546,179,184 shares.

(24) 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 Act 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.

(25) 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 ($12.0 per share) for both the years of 2017 and 2016.

E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(29).

(26) Interest income

	Three months ended September 30,	
	2017	2016
Installment revenue	$ 1,096,474	$ 932,391
Interest from deposits and short-term notes	29,547	22,718
Investment income	22,159	-
	$ 1,148,180	$ 955,109

	Nine months ended September 30,	
	2017	2016
Installment revenue	$ 3,206,435	$ 2,669,715
Interest from deposits and short-term notes	89,574	85,578
Investment income	59,444	-
	$ 3,355,453	$ 2,755,293

(27) Premium

Details of premium are as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016
Written premium	$ 1,319,087	$ -
Reinsurance premium	114,965	-
Less: Reinsurance expense	(264,188)	-
Net change in unearned premiums reserve	(257,332)	-
	$ 912,532	$ -

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Written premium	$ 3,489,732	$ -
Reinsurance premium	280,920	-
Less: Reinsurance expense	(808,700)	-
Net change in unearned premiums reserve	(744,570)	-
	$ 2,217,382	$ -

(28) Expenses by nature

	Three months ended September 30, 2017	Three months ended September 30, 2016
Employee benefit expense	$ 1,713,964	$ 1,524,804
Depreciation	1,956,723	2,050,545
Amortization	16,790	4,257
	$ 3,687,477	$ 3,579,606

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Employee benefit expense	$ 5,090,683	$ 4,320,688
Depreciation	5,882,176	6,348,402
Amortization	45,568	13,074
	$ 11,018,427	$ 10,682,164

(29) Employee benefit expense

	Three months ended September 30, 2017	Three months ended September 30, 2016
Wages and salaries	$ 1,445,435	$ 1,305,885
Labor and health insurance fees	116,783	93,016
Pension costs	60,207	54,852
Other personnel expenses	91,539	68,920
	$ 1,713,964	$ 1,522,673

	Nine months ended September 30,	
	2017	2016
Wages and salaries	$ 4,356,092	$ 3,690,076
Labor and health insurance fees	310,818	256,806
Pension costs	181,289	158,856
Other personnel expenses	242,484	212,819
	$ 5,090,683	$ 4,318,557

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% for employees' compensation and shall not be higher than 2% for directors' 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 three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, employees' remuneration was accrued at $27,783, $29,800, $93,935 and $96,776, respectively; while directors' remuneration was accrued at $55,567, $59,600, $187,871 and $193,552, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the nine months ended September 30, 2017.

Employees' compensation and directors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2016 financial statements.

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

(30) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Three months ended September 30,	
	2017	2016
Current tax:		
Current tax expense recognized in the current period	$ 500,855	$ 449,227
Prior year income tax underestimation	135	-
Total current tax	500,990	449,227
Deferred tax:		
Origination and reversal of temporary differences	48,636	97,312
Total deferred tax	48,636	97,312
Income tax expense	$ 549,626	$ 546,539

	Nine months ended September 30,	
	2017	2016
Current tax:		
Current tax expense recognized in the current period	$ 1,577,458	$ 1,551,313
Additional 10% income tax imposed on unappropriated earnings	363,070	262,962
Prior year income tax overestimation	(14,806)	(11,598)
Total current tax	1,925,722	1,802,677
Deferred tax:		
Origination and reversal of temporary differences	191,496	86,827
Total deferred tax	191,496	86,827
Income tax expense	$ 2,117,218	$ 1,889,504

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

	Three months ended September 30,	
	2017	2016
Cash flow hedges	($ 688)	$ 225
Unrealized gains on available-for-sale financial assets	($ 254)	$ -

	Nine months ended September 30,	
	2017	2016
Cash flow hedges	$ 4,605	$ 872
Unrealized gains on available-for-sale financial assets	($ 1,986)	$ -

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

C. Unappropriated earnings:

	September 30, 2017	December 31, 2016	September 30, 2016
Earnings generated in and before 1997	$ 1,828,846	$ 1,828,846	$ 1,833,874
Earnings generated in and after 1998	26,388,001	26,245,511	23,686,691
	$ 28,216,847	$ 28,074,357	$ 25,520,565

D. As of September 30, 2017, December 31, 2016 and September 30, 2016, the balance of the imputation tax credit account were $3,995,879, $4,063,805, $3,509,792, respectively. The creditable tax rate was 20.13% for 2015, and is estimated to be 19.85% for 2016.

(31) Earnings per share

	Three months ended September 30, 2017		
	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	$ 2,402,375	546,179	$ 4.40
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 2,402,375	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	37	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 2,402,375	546,216	$ 4.40

	Three months ended September 30, 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	$ 2,563,508	546,179	$ 4.69
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 2,563,508	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	109	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 2,563,508	546,288	$ 4.69

	Nine months ended September 30, 2017		
	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	$ 7,770,644	546,179	$ 14.23
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 7,770,644	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	380	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 7,770,644	546,559	$ 14.22

	Nine months ended September 30, 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	$ 8,194,184	546,179	$ 15.00
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 8,194,184	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	475	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 8,194,184	546,654	$ 14.99

(32) 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 September 30, 2017, December 31, 2016 and September 30, 2016, the notes receivable collected in advance amounted to $8,468,217, $8,447,711 and $8,685,795, respectively. The notes receivable and advance rents are presented at net amount and are not shown in the balance sheet. As of September 30, 2017, December 31, 2016 and September 30, 2016, the amounts of $6,294,384, $6,725,091 and $6,731,939 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Up to 1 year	$ 4,829,049	$ 4,900,292	$ 5,003,651
1 to 5 years	3,639,168	3,547,419	3,682,144
	$ 8,468,217	$ 8,447,711	$ 8,685,795

As of September 30, 2017, the subsidiary, Hotai Insurance Co., Ltd.'s future aggregate minimum lease payments receivable are as follows:

Period	September 30, 2017
Not later than one year	$ 20,518
1 to 5 years	22,312
Over 5 years	2,089
	$ 44,919

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 $165,847, $142,146, $467,480 and $431,429 for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases agreements are as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Up to 1 year	$ 348,636	$ 288,074	$ 231,719
1 to 5 years	541,064	589,743	536,540
Over 5 years	228,451	417,887	499,253
	$ 1,118,151	$ 1,295,704	$ 1,267,512

(33) Business combination

A. On January 17, 2017, the Group acquired 99.80% equity of Zurich Insurance (Taiwan) Ltd. with $6,831,887, and obtained control over Zurich Insurance (Taiwan) Ltd., which was engaging in various kind of property and casualty insurance. The Group expected to strengthen the market position and lower cost through economic scale. Zurich Insurance (Taiwan) Ltd. reelected the directors on February 6, 2017, and renamed as Hotai Insurance Co., Ltd., on March 1, 2017.

The information about the acquisition price of aforementioned company, the fair value of assets and liabilities obtained on the date of acquisition, and the amount of non-controlling interest to identified net assets acquired on acquisition date were as follows:

	Zurich Insurance (Taiwan) Ltd.
Purchase consideration	
Cash	$ 6,831,887
Non-controlling interests	12,199
	6,844,086
Fair value of the identified assets acquired and liabilities assumed	
Cash and cash equivalents	445,095
Accounts receivable	452,444
Financial assets	7,990,907
Reinsurance contract assets	1,577,293
Other current assets	535,910
Property, plant and equipment	807,242
Investment property	975,506
Intangible assets	544,105
Insurance liabilities	(6,255,516)
Other current liabilities	(719,717)
Deferred tax liabilities	(171,506)
Total identified net assets	6,181,763
Goodwill	$ 662,323

B. In the end of January 2017, the Group acquired 100% equity of Shanghai Inchcape Auto Sales & Service Co., Ltd. with RMB 55,000 thousands and obtained control over Shanghai Inchcape Auto Sales & Service Co., Ltd., which was engaging in sales and services of automobiles of Lexus in Shanghai, was renamed as Shanghai Yangpu Heling Motor Sale & Service Co., Ltd. in February 2017.

		Shanghai Inchcape Lexus
Purchase consideration (Expressed in thousands of RMB)		
Cash	$	55,000
Fair value of the identified assets acquired and liabilities assumed		
Cash and cash equivalents	$	2,964
Accounts receivable		2,785
Other receivables		2,744
Inventories		19,641
Prepayments		6,436
Property, plant and equipment		3,323
Other assets		38,718
Accounts payable	(	1,486)
Accrued expense	(	13,757)
Advance receipts	(	6,368)
Total identifiable net assets	$	55,000

C. From the date of acquisition, the acquisition increased operating income and net loss before tax to the amount of $3,567,256 and $16,456, respectively. If Zurich Insurance (Taiwan) Ltd. and Shanghai Inchcape Auto Sales & Service Co., Ltd. were consolidated from January 1, 2017, the amounts of operating income and net profit before tax would be $132,362,456 and $11,015,788, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and Relationship with the Group

Names of related parties	Relationship with the Group
Ho Yu Investment Co., Ltd. (Ho Yu)	Entities controlled by key management
Ho An Insurance Agency Co., Ltd. (Ho An)	Entities controlled by key management
Ho Chuang Insurance Agency Co., Ltd. (Ho Chuang)	Entities controlled by key management
Toyota Motor Corporation (TMC)	Entities controlled by key management
Hino Motors, Ltd. (Hino)	Entities controlled by key management
Toyota Motor Asia Pacific Pte Ltd. (TMAP)	Entities controlled by key management
Toyota Motor (China) Investment Co., Ltd. (Toyota China)	Entities controlled by key management
Toyota Industries	Entities controlled by key management

Names of related parties	Relationship with the Group
Toyota Motor Philippines Cor. (Toyota Philippines)	Entities controlled by key management
Toyota Kirloskar Motor Pvt.Ltd	Entities controlled by key management
Toyota-Motor-Europe-Nv/Sa (TME)	Entities controlled by key management
Toyota-Motor-Sales-USA (TMS)	Entities controlled by key management
Hozao Enterprise Co.,Ltd.	Associates
Kuotu Motor Co.,Ltd. (Kuotu)	Associates
Nan Du Motor Co., Ltd. (Nan Du)	Associates
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associates
Tau Miau Motor Co., Ltd. (Tau Miau)	Associates
Kau Du Automobile Co., Ltd. (Kau Du)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Central Motor Co ., Ltd. (Central Motor)	Associates
Yokohama Tire Taiwan Co.,Ltd.	Associates
Shi-Ho Screw Industrial Co., Ltd.	Associates
Beijing Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Linyi Ho-Yu Toyota Motor Sales And Service Co.,Ltd.	Associates
Linyi Heling Lexus Motor Sales & Service Co.,Ltd.	Associates
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	Associates
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Associates
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	Associates
Guangzhou Gac Changho Autotech Corporation	Associates
Kashiwabara Hotai Taiwan Co., Ltd.	Associates
Horung Motors Co., Ltd.	Associates
Zhong Cheng Motors Co., Ltd. (Formerly Hojung Motors Co., Ltd.)	Associates
Hohung Motors Co., Ltd.	Associates
Formosa Flexible Packaging Corp.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates
Kuai Shun Transportation Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates

Names of related parties	Relationship with the Group
Innovation Auto Parts Co., Ltd	Associates
Tung Yu Motor Co., Ltd.	Associates
Wang Fu Co., Ltd.	Associates
Zhongyang Motor Co., Ltd.	Associates
Nan I Motor Co., Ltd.	Associates
New Strong Power Logistics Co., Ltd.	Associates
Chang Guan Logistics Co., Ltd.	Associates
The Company's Directors, president, vice president and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	Three months ended September 30,	
	2017	2016
(a) Interest income:		
-Associates	$ 10,953	$ 10,240

	Nine months ended September 30,	
	2017	2016
Interest income:		
-Associates	$ 35,736	$ 36,530

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 period from January 1 to March 26, 2016. The annual interest rate along with interest accruing on a daily basis is 2.4% for the period from March 27 to June 30, 2016.

	Three months ended September 30,	
	2017	2016
(b) Premium:		
-Associates	$ 8,772	$ -
-Entities controlled by key management	256	-
	$ 9,028	$ -

	Nine months ended September 30,	
	2017	2016
Premium:		
-Associates	$ 19,866	$ -
-Entities controlled by key management	383	-
	$ 20,249	$ -

	Three months ended September 30,	
	2017	2016
(c) Sales revenue:		
-Associates		
Central Motor	$ 4,548,569	$ 4,761,385
Tau Miau	4,206,254	4,424,186
Taipei Motor	3,289,014	3,627,948
Others	10,041,603	10,313,890
-Entities controlled by key management	22,431	15,324
	$ 22,107,871	$ 23,142,733

	Nine months ended September 30,	
	2017	2016
Sales revenue:		
-Associates		
Central Motor	$ 16,475,968	$ 16,874,445
Tau Miau	15,426,538	15,411,330
Taipei Motor	12,388,071	12,487,555
Others	35,266,759	33,778,830
-Entities controlled by key management	51,944	40,447
	$ 79,609,280	$ 78,592,607

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.

	Three months ended September 30,	
	2017	2016
(d) Rental revenue:		
-Associates	$ 27,333	$ 22,499
-Entities controlled by key management	1,172	1,297
	$ 28,505	$ 23,796

	Nine months ended September 30,	
	2017	2016
Rental revenue:		
-Associates	$ 83,470	$ 71,027
-Entities controlled by key management	3,340	3,465
	$ 86,810	$ 74,492

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

	Three months ended September 30,	
	2017	2016
(e) Service revenue		
Service sales:		
-Associates	$ 12,966	$ 10,194
-Entities controlled by key management	-	52,192
Contracted operating revenue:		
-Associates	4,074	4,365
	$ 17,040	$ 66,751

	Nine months ended September 30,	
	2017	2016
Service revenue		
Service sales:		
-Associates	$ 34,344	$ 39,971
-Entities controlled by key management	55,540	99,782
Contracted operating revenue：		
-Associates	16,677	19,921
	$ 106,561	$ 159,674

	Three months ended September 30,	
	2017	2016
(f) Subsidy income for price difference from instalments:		
-Associates	$ 119,161	$ 75,623

	Nine months ended September 30,	
	2017	2016
Subsidy income for price difference from instalments:		
-Associates	$ 279,772	$ 232,753

	Three months ended September 30,	
	2017	2016
(g) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	$ 49,689	$ 126,088
-Entities controlled by key management		
TMAP	194,134	131,761
Others	475	672
	$ 244,298	$ 258,521

	Nine months ended September 30,	
	2017	2016
Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	$ 162,068	$ 249,178
-Entities controlled by key management		
TMAP	450,516	363,408
Others	1,381	3,123
	$ 613,965	$ 615,709

	Three months ended September 30,	
	2017	2016
(h) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	$ 4,405	$ 5,733
Others	18,886	13,630
-Entities controlled by key management	9,190	827
	$ 32,481	$ 20,190

	Nine months ended September 30,	
	2017	2016
Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	$ 70,970	$ 82,853
Others	74,872	57,073
-Entities controlled by key management	41,874	80,759
	$ 187,716	$ 220,685

	Three months ended September 30,	
	2017	2016
(i) Distribution income (shown as deductions to freight):		
-Associates	$ 5,518	$ 6,114

	Nine months ended September 30,	
	2017	2016
Distribution income (shown as deductions to freight):		
-Associates	$ 22,077	$ 27,274

	Three months ended September 30, 2017	Three months ended September 30, 2016
(i) Miscellaneous income:		
-Associates		
Kuotu	$ 22,339	$ 23,680
Kuozui	40,345	45,187
Others	23,780	21,077
-Entities controlled by key management	11,698	12,092
	$ 98,162	$ 102,036

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Miscellaneous income:		
-Associates		
Kuotu	$ 93,597	$ 105,999
Kuozui	80,658	88,114
Others	61,637	55,155
-Entities controlled by key management	45,918	40,132
	$ 281,810	$ 289,400

B. Expenditures

	Three months ended September 30, 2017	Three months ended September 30, 2016
(a) Interest expense:		
-Associates	$ 3,262	$ 4,555

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
(a) Interest expense:		
-Associates	$ 13,073	$ 16,510

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 period from January 1 to March 26, 2016. The annual interest rate along with interest accruing on a daily basis is 2.0% for the period from March 27 to June 30, 2016.

	Three months ended September 30, 2017	Three months ended September 30, 2016
(b) Purchases of goods:		
-Associates		
Kuozui	$ 9,046,963	$ 10,043,207
Others	8,014,578	7,140,128
-Entities controlled by key management		
TMC	7,079,981	8,522,580
Others	4,208,378	3,310,396
	$ 28,349,900	$ 29,016,311

Purchases of goods:	Nine months ended September 30, 2017	2016
-Associates		
Kuozui	$ 36,343,999	$ 40,537,278
Others	22,195,386	21,479,274
-Entities controlled by key management		
TMC	23,020,599	24,020,887
Others	10,217,190	8,210,041
	$ 91,777,174	$ 94,247,480

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. ("TMCI"), TMAP, TMS and TME. Payment terms are shown in table 5 of Note 13(1) Significant transactions information.

Partial purchases from other related parties are from installment sales by the subsidiary, Hotai Finance Co., Ltd. As described in Note 4(40), 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.

	Three months ended September 30, 2017	2016
(c) Rental expense:		
-Associates	$ 1,981	$ 4,529
-Entities controlled by key management	1,139	-
	$ 3,120	$ 4,529

	Nine months ended September 30, 2017	2016
Rental expense:		
-Associates	$ 5,298	$ 13,683
-Entities controlled by key management	3,418	-
	$ 8,716	$ 13,683

The Company and subsidiaries 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.

	Three months ended September 30,	
	2017	2016
(d) Warranty cost:		
-Associates		
Central Motor	$ 46,825	$ 38,985
Tau Miau	43,986	33,733
Kuotu	33,783	31,779
Nan Du	28,965	19,087
Kau Du	26,099	22,303
Others	26,717	22,266
-Entities controlled by key management	1,393	131
	$ 207,768	$ 168,284

	Nine months ended September 30,	
	2017	2016
Warranty cost:		
-Associates		
Central Motor	$ 109,315	$ 97,814
Tau Miau	99,419	89,930
Kuotu	81,704	86,657
Nan Du	63,676	49,952
Kau Du	62,185	53,117
Others	61,388	55,578
-Entities controlled by key management	1,522	131
	$ 479,209	$ 433,179

	Three months ended September 30,	
	2017	2016
(e) Advertisement expense:		
-Associates	$ 6,904	$ 7,572
-Entities controlled by key management	1,097	2,161
	$ 8,001	$ 9,733

	Nine months ended September 30,	
	2017	2016
Advertisement expense:		
-Associates	$ 8,736	$ 12,176
-Entities controlled by key management	2,570	2,289
	$ 11,306	$ 14,465

	Three months ended September 30,	
	2017	2016
(f) Freight:		
-Associates		
Fan Tai	$ 29,805	$ -
Yi Tai	15,364	-
Others	2,026	-
	$ 47,195	$ -

	Nine months ended September 30,	
	2017	2016
Freight:		
-Associates		
Fan Tai	$ 68,955	$ -
Yi Tai	42,500	-
Others	3,030	-
	$ 114,485	$ -

	Three months ended September 30,	
	2017	2016
(g) Insurance claim payment:		
-Associates	$ 5,251	$ -

	Nine months ended September 30,	
	2017	2016
Insurance claim payment:		
-Associates	$ 6,479	$ -

	Three months ended September 30,	
	2017	2016
(h) Commission expense:		
-Entities controlled by key management	$ 108,167	$ -

	Nine months ended September 30,	
	2017	2016
Commission expense:		
-Entities controlled by key management	$ 227,394	$ -

C. Receivables from (payables to) related parties

	September 30, 2017	December 31, 2016	September 30, 2016
(a) Receivables from related parties:			
-Associates	$ 2,602,812	$ 2,084,927	$ 2,717,206
-Entities controlled by key management	8,434	8,178	6,435
	$ 2,611,246	$ 2,093,105	$ 2,723,641

	September 30, 2017	December 31, 2016	September 30, 2016
(b) Other receivables from related parties:			
-Associates	$ 87,971	$ 162,462	$ 99,587
-Entities controlled by key management	3,034	14,034	11,698
	$ 91,005	$ 176,496	$ 111,285

	September 30, 2017	December 31, 2016	September 30, 2016
(c) Accounts payable:			
-Associates	$ 1,214,081	$ 1,665,666	$ 1,065,915
-Entities controlled by key management			
TMC	2,974,737	4,023,207	3,895,221
Others	396,103	414,680	383,935
	$ 4,584,921	$ 6,103,553	$ 5,345,071

	September 30, 2017	December 31, 2016	September 30, 2016
(d) Accrued expenses:			
-Associates	$ 196,468	$ 229,062	$ 131,270
-Entities controlled by key management	-	172	578
	$ 196,468	$ 229,234	$ 131,848

	September 30, 2017	December 31, 2016	September 30, 2016
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	$ 18,953	$ -	$ -

D. Property transactions

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

	Three months ended September 30,	
	2017	2016
-Associates		
Taipei Motor	$ 369,453	$ 312,797
Kuotu	478,447	245,231
Kau Du	247,029	154,375
Tau Miau	192,096	257,120
Central Motor	217,513	176,954
Nan Du	109,035	141,979
Others	101,810	21,283
	$ 1,715,383	$ 1,309,739

	Nine months ended September 30,	
	2017	2016
-Associates		
Taipei Motor	$ 1,063,687	$ 987,231
Kuotu	1,024,161	829,772
Kau Du	752,743	507,711
Tau Miau	697,696	684,202
Central Motor	617,114	619,254
Nan Du	323,154	446,034
Others	441,114	61,758
	$ 4,919,669	$ 4,135,962

(b)Acquisition of other assets:

	Accounts	Three months ended September 30, 2017 Consideration
-Entities controlled by key management		
Ho Yu	Available-for-sale financial assets-non-current	$ -

	Accounts	Nine months ended September 30, 2017 Consideration
-Entities controlled by key management		
Ho Yu	Available-for-sale financial assets-non-current	$ 31

For the three months ended September 30, 2016, and nine months ended September 30, 2016, the Group did not acquire other assets from related parties.

(3) Key management remuneration

	Three months ended September 30,	
	2017	2016
Salaries and other short-term employee benefits	$ 77,238	$ 99,269
Post-employment benefits	314	-
	$ 77,552	$ 99,269

	Nine months ended September 30,	
	2017	2016
Salaries and other short-term employee benefits	$ 270,735	$ 256,145
Post-employment benefits	924	17,010
	$ 271,659	$ 273,155

8. PLEDGED ASSETS

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

Pledged asset	September 30, 2017	December 31, 2016	September 30, 2016	Purpose
Notes and accounts receivable	$ 7,832,570	$ 9,259,954	$ 9,140,834	Short-term borrowings and commercial papers payable
Other assets	300,300	-	-	Operating bonds
Restricted assets (Note 1)				
-Demand and time deposits	86,667	95,022	115,417	Short-term borrowings, performance guarantee and issuance of L/C (Note 2)
Property, plant and equipment				
-Land	98,900	98,900	766,717	Short-term borrowings
-Buildings and structures	-	37,777	265,123	Short-term borrowings
	$ 8,318,437	$ 9,491,653	$ 10,288,091	
Transactions not listed in the balance sheet				
-Notes receivable for rent	$ 6,294,384	$ 6,725,091	$ 6,731,939	Long-term and short-term loans and commercial papers payable

Note 1: Shown as 'other financial assets-current'.

Note 2: The certificates of deposits amounting to $10,675 was pledged to the financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Details of operating lease agreements are shown in Note 6(32).

(2) Significant contracts signed by the Group as of September 30, 2017 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)	

Type of contracts	Party involved	Contract period	Main contents
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, 2017 to March 31, 2020	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

None.

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 and considering future capital requirements and long-term capital plan 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, accrued expenses, other payables, commissions payable 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:

	September 30, 2017					December 31, 2016				
	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	25,267	30.2600	$	764,579	USD	6,189	32.2500	$	199,595
JPY:NTD	JPY	153,003	0.2691		41,173	JPY	143,388	0.2756		39,518
RMB:NTD	CNY	11,789	4.5524		53,668	CNY	7,753	4.6406		35,979
Financial liabilities										
Monetary items										
USD:NTD	USD	273,730	30.2600	$	8,283,070	USD	320,414	32.2500	$	10,333,352
JPY:NTD	JPY	3,118,459	0.2691		839,177	JPY	3,164,471	0.2756		872,128
USD:RMB (Note)	USD	85,450	6.6470		2,585,717	USD	15,000	6.9495		483,750

		September 30, 2016		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	USD	9,759	31.3600	$ 306,042
JPY:NTD	JPY	62,743	0.3109	19,507
RMB:NTD	CNY	6,619	4.7215	31,252
Financial liabilities				
Monetary items				
USD:NTD	USD	318,353	31.3600	$ 9,983,550
JPY:NTD	JPY	3,115,290	0.3109	968,544
USD:RMB (Note)	USD	15,000	6.6420	470,400

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 gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, amounted to $90,673, $21,250, $183,245 and $68,511 respectively.

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

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	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%	$ 7,646	$ -	1%	$ 3,060	$ -
JPY:NTD	1%	412	-	1%	195	-
RMB:NTD	1%	537	-	1%	313	-
Financial liabilities						
Monetary items						
USD:NTD	1%	82,831	-	1%	99,836	-
JPY:NTD	1%	8,392	-	1%	9,685	-
USD:RMB (Note)	1%	25,857	-	1%	4,704	-

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 $1,020,702 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 nine months ended September 30, 2017 and 2016, 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 September 30, 2017, December 31, 2016 and September 30, 2016, HFC has financial instruments with off-balance-sheet credit risk amounting to $9,352,747, $10,687,846 and $11,010,158, 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(18)) 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:

September 30, 2017

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 36,174,893	$ 900,000	$ 1,079,610
Short-term notes and bills payable	50,160,143	-	-
Notes payable	173,316	-	-
Accounts payable	7,852,398	-	-
Accrued expenses	4,405,762	-	-
Other payables	890,577	-	-
Bonds payable	1,000,000	-	2,800,000
Long-term loans (including current portion)	2,400,116	2,784,694	5,442,469

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	-	-
Accrued expenses	3,838,227	-	-
Other payables	478,949	-	-
Bonds payable	1,000,000	-	-
Long-term loans (including current portion)	3,340,272	1,700,357	3,267,343

Non-derivative financial liabilities:

September 30, 2016

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 24,709,598	$ 5,009,375	$ 900,000
Short-term notes and bills payable	50,975,345	-	-
Notes payable	131,967	-	-
Accounts payable	8,125,857	-	-
Accrued expenses	3,879,805	-	-
Other payables	692,644	-	-
Bonds payable	-	1,000,000	-
Long-term loans (including current portion)	3,099,865	2,445,001	2,427,582

Derivative financial liabilities:

September 30, 2017

	Up to 1 year	1 to 2 years	2 to 3 years
Cross currency swaps	$ 266,870	$ 8,000	$ 43,855
Forward exchange contracts	-	-	-

Derivative financial liabilities:
December 31, 2016

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

Derivative financial liabilities:

September 30, 2016

	Up to 1 year	1 to 2 years	2 to 3 years
Interest rate swaps	$ 280	$ -	$ -
Cross currency swaps	-	116,280	-
Forward exchange contracts	31,186	-	-

(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(12).

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 beneficial 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 September 30, 2017, December 31, 2016 and September 30, 2016 is as follows:

September 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficial certificates	$ 666,457	$ -	$ -	$ 666,457
Forward exchange contracts	-	48,102	-	48,102
Available-for-sale financial assets				
Bond investment (Note)	-	5,141,452	-	5,141,452
Exchange traded funds	486,971	-	-	486,971
Beneficial certificates	969,698	-	283,648	1,253,346
Financial instruments	-	96,014	-	96,014
	$ 2,123,126	$ 5,285,568	$ 283,648	$ 7,692,342
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,593	$ -	$ 1,593
Foreign exchange swap contracts	-	3,199	-	3,199
Derivative financial liabilities for hedging	-	318,725	-	318,725
	$ -	$ 323,517	$ -	$ 323,517

Note: Including operating bonds.

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficial certificates	$ 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				
Beneficial certificates	563,790	-	263,422	827,212
	$ 5,151,577	$ 221,513	$ 263,422	$ 5,636,512

December 31, 2016	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Derivative financial liabilities for hedging	$ -	$ 56,072	$ -	$ 56,072

September 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficial certificates	$ 1,499,732	$ -	$ -	$ 1,499,732
Derivative financial assets for hedging	-	216,353	-	216,353
Available-for-sale financial assets				
Beneficial certificates	544,825	-	247,742	792,567
	$ 2,044,557	$ 216,353	$ 247,742	$ 2,508,652
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 31,186	$ -	$ 31,186
Derivative financial liabilities for hedging	-	116,560	-	116,560
	$ -	$ 147,746	$ -	$ 147,746

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	Exchange traded funds
Market quoted price	Closing price	Net asset value	Closing price

(b) Except for financial instruments with active markets, domestic investments take the quoted price of Taipei Exchange while foreign investments take the quoted price of the Swiss Exchange’s financial information system as the fair value. 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 nine months ended September 30, 2017 and 2016, there was no transfer between Level 1, Level 2 and Level 3.

F. The following chart is the movement of Level 3 for the nine months ended September 30, 2017 and 2016:

	2017	2016
	Beneficial certificates	Beneficial certificates
At January 1	$ 263,422	$ 300,222
Acquisition of financial assets categorised in Level 3	31	-
Proceeds from capital reduction	-	(23,032)
Gains and losses recognized in other comprehensive income	20,195	(29,448)
At September 30	$ 283,648	$ 247,742

G. 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.

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

	Fair value at September 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 283,648	Asset liability method, Market comparable companies method	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, 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 method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

	Fair value at September 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 247,742	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

I. 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 categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of September 30, 2017, December 31, 2016 and September 30, 2016.

(4) The nature and range of contract risk governance of the subsidiary, Hotai Insurance Co., Ltd.

A. The objectives, policies, procedures and methods of risk governance on insurance contracts:

(a) Risk Governance Structure and Responsibilities

The subsidiary, Hotai Insurance Co., Ltd. has set up the Risk & Control Committee (RCC) under the Board of Directors as well as an independent risk management department in order to effectively plan, advocate and monitor risk management matters.

The subsidiary's goals in managing its risks are to:

i. Protect the subsidiary's capital by not taking risks beyond the subsidiary's risk tolerance.

ii. Enhance value creation and achieve an optimal risk-return profile by efficiently deploying capital.

iii. Support decision making processes by providing consistent, reliable and timely risk information.

iv. Protect the subsidiary's brand and reputation by fostering the subsidiary's core values and promoting a sound culture of risk awareness.

The "three lines of defense" approach runs through the subsidiary's risk governance structure, so that risks are clearly identified, owned, and managed:

1st line: Business management takes risks and is responsible for day-to-day risk management.

2nd line: The risk management function oversees the overall risk management framework, and helps manage risk. Other governance and control functions (e.g. legal and compliance, finance, technical underwriting review, claims QA) are responsible for and help control specific types of risks.

3rd line: The audit function provides independent assurance regarding the effectiveness of the ERM framework and risk controls.

In accordance with "Risk Management Practice Rules for Insurance Industry", the subsidiary has established "Risk Management Policy" which is approved by the subsidiary's Board of Directors, to establish its corporate risk management framework.

(b) Risk Reporting and Measurement System

i. Risk Reporting

Each department branch periodically delivers risk information to the risk management department for monitoring purpose. The mitigating actions and response plans are required while breaching the risk-type limits.

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

Pursuant to the regulatory authority’s requirement, the subsidiary has performed sensitivity analysis, scenario analysis and stress test to understand the related risks which have quantitative influence on the subsidiary’s performance.

(c) Insurance Risk and Underwriting Guidelines

Insurance risk management includes product development, pricing, underwriting, reinsurance, natural/man-made catastrophes, claims and reserve related risks. All of these risks are managed by the front-line responsible functions, such as underwriting, claims, technical management, product development and actuarial departments. According to the “Risk Management Policy,” related functional policies and procedures, and local regulations, the Risk management framework and mechanism are designed and embedded into day-to-day operations, which includes authorization, operational process and risk-type limit monitoring, etc. The Risk Policy adherence self-assessment checklist and Risk Management Practice Rules for Insurance Industry checklist should be filled in by risk-type owners annually, in order to comply with the requirements of “Risk Management Policy” and “Risk Management Practice Rules for Insurance Industry”.

(d) Total Risk Profiling and Insurance Risk Management

The subsidiary adopts the Total Risk Profiling (TRP) methodology to identify, assess, response and document its overall risks (incl. Business and Strategic Risk, Insurance Risk, Operational Risk, ALM / Investment / Credit Risk, and Financial Reporting Risk that can have an impact on the sustainability of Earnings, Capital and Reputation) systematically across the subsidiary. The risk management department coordinates the TRP efforts and provides quality assurance with all departments within their areas of responsibilities. The implementation status of improvement actions will be reviewed quarterly according to the fall TRP results in the previous year. The insurance risks (incl. product development, pricing, underwriting, reinsurance, natural/ man-made catastrophes, claims, reserve and so on) are covered in the TRP process as well.

(e) Concentration Exposures on Insurance Risk

The subsidiary, Hotai Insurance Co., Ltd. has established the related risk control mechanism and developed risk management plan to run retention and ceded/assumed businesses based on reinsurance capacity by following the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The net retention limit per risk for each line of business is listed below:

Line of Business	September 30, 2017
Fire insurance	$ 50,000
Fire & A.P. insurance	50,000
Long-term residential fire insurance	50,000
Residential fire insurance	50,000
Marine cargo insurance	20,000
Inland marine insurance	20,000
Automobile insurance	Nil
General liability insurance	50,000
Engineering insurance	105,000
Fidelity insurance	90,000
Other property insurance	50,000
Personal accident insurance	50,000

In addition to control the own-retention limit per risk/catastrophe for confining risk exposures, the subsidiary, in accordance with the characteristics of each line of insurance business and to align with operational strategies, arranges reinsurance contracts or arranges facultative reinsurance to appropriately spread the subsidiary's endured risk. For the credit risk of main reinsurers, the subsidiary considers their credit rating, financial status, and location to ensure that the subsidiary has a stable and appropriate reinsurance coverage.

(f) Asset/Liability Management

The Asset/Liability Management Investment Committee (ALMIC) meeting is held on a quarterly basis to monitor the subsidiary's asset/liability matching duration and evaluate liquidity risk by ensuring the fulfillment of due liabilities and future claims provisions.

(g) Capital Adequacy Management

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the subsidiary has established the capital solvency management mechanism, which includes a risk-based capital ratio review on a regular basis. Also, the RBC Ratio Report is prepared and filed semiannually to monitor and implement regulatory capital adequacy requirements. Currently, the subsidiary's RBC ratio ((adjusted net capital / risk-based capital) X 100%) is in compliance with the regulatory requirement of "no lower than 200%."

(5) Credit risk, liquidity risk and market risk of insurance contract

The insurance contracts of the subsidiary, Hotai Insurance Co., Ltd. are all short-term policies and the reserves are not discounted; therefore, there is no significant impact in the interest rate risk.

A. Credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. The exposure to credit risk is derived from the following main categories of assets:

- Cash and cash equivalents
- Debt securities
- Reinsurance contract assets
- Receivables

The exposure across sources of credit risk is aggregated to include investments, reinsurance assets, insurance brokers, and receivables:

(a) Investments credit risk

Apart from investments in government bonds, the subsidiary, Hotai Insurance Co., Ltd. uses the ratings assigned by the domestic and foreign credit rating agencies, to monitor the credit risk limit of underlying investments or counterparties and periodically assesses the investment limit and counterparties concentration of individual issuing institutions to control the credit risk of the underlying investment, issuing institution, and counterparties, in order to effectively mitigating the credit risks.

i. Cash and cash equivalents

The subsidiary, Hotai Insurance Co., Ltd. deposits cash and cash equivalents in the banks/other financial institutions in accordance with relevant regulations of the competent authority. The subsidiary, Hotai Insurance Co., Ltd. also has stringent control over the banks/other financial institutions where assets are deposited. The subsidiary reviews the amounts deposited in banks/other financial institutions with different credit ratings on a regular basis so that the credit risk can be mitigated effectively.

ii. Debt securities

Fixed-income debt securities held by the subsidiary, Hotai Insurance Co., Ltd. (such as investments in government bonds, corporate bonds and financial bonds) are all fixed-income investments, which are restricted through relevant laws or regular review on the amounts of issuers with different credit ratings.

As of September 30, 2017, except for government bonds, investments in fixed income assets shown by issuer's credit rating level are as follows:

<u>September 30, 2017</u>

Credit rating levels (Taiwan Ratings)	Book Value	Percentage
tw AAA	$ 362,894	15%
tw AA+	103,701	4%
tw AA	348,866	14%
tw AA-	950,602	39%
tw A+	476,097	19%
tw A	203,139	8%
tw BBB+	19,343	1%
Total	$ 2,464,642	100%

(b) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the nine months ended September 30, 2017, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Nine months ended September 30, 2017

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	$ 2,570	-
AA	3,388	1%
AA-	405,371	59%
A+	116,548	17%
A	16,311	2%
A-	6,934	1%
BBB+	1,588	-
Unrated	134,360	20%
Total	$ 687,070	100%

Note: Compulsory automobile insurance and residential earthquake insurance are excluded.

(c) Credit risk from insurance brokers/agents

The subsidiary, Hotai Insurance Co., Ltd. handles credit risk from insurance brokers/agents in accordance with "Regulations Governing Insurance Brokers/Agents". In choosing insurance brokers/agents, the marketing/business units first confirm that the insurance brokers/agents meet the subsidiary, Hotai Insurance Co., Ltd.'s requirements in order to mitigate the credit risk and carry out subsequent collections and tracking in accordance with "Regulations Governing Fees and Charges" set by the subsidiary, Hotai Insurance Co., Ltd. Further, to avoid concentration risk, according to "Statistics on Performance of Top Ten Insurance Brokers/Agents" of the fourth quarter, performance of a single insurance broker/agent should not exceed 15% of gross written premiums as prescribed by the subsidiary, Hotai Insurance Co., Ltd.

(d) Credit risk related to receivables

The credit of Hotai Insurance Co., Ltd.'s trading partners are all superior and Hotai Insurance Co., Ltd. deals with multiple trading partners to diversify the credit risk. The possibility of default is considered very low. The subsidiary, Hotai Insurance Co., Ltd.'s receivables are assessed in accordance with "Regulation of the Procedure for Asset

Assessment and Collection of Overdue Debts".

The tables below show the credit risk of assets, and the overdue but non-impaired assets classified by aging:

September 30, 2017

Financial assets and reinsurance contract assets	Neither past due nor impaired	Past due but not impaired / Ageing analysis: Between 0 and 3 months	Between 3 and 6 months	Over 6 months	Impairment reserves and allowance for bad debts	Total
Cash and cash equivalents	$ 2,325,146	$ -	$ -	$ -	$ -	$ 2,325,146
Receivables	494,840	-	22,517	6,425	21,297	502,485
Available-for-sale financial assets (Note)	5,815,912	-	-	-	-	5,815,912
Other financial assets	1,426,229	-	-	-	-	1,426,229
Reinsurance contract assets	1,607,180	-	-	5,724	7,014	1,605,890
Refundable deposits	15,808	-	-	-	-	15,808
Total	11,685,115	-	22,517	12,149	28,311	11,691,470

Note: Operating bonds are included.

The credit information of neither past due nor impaired assets on above tables is shown in the aforementioned credit rating analysis. As of September 30, 2017, no financial assets and reinsurance contract assets are impaired.

B. Liquidity risk management

Liquidity risk is the risk that the subsidiary, Hotai Insurance Co., Ltd. may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The subsidiary is not exposed to liquidity risk as there is no need for the subsidiary to hold adequate current assets to fulfill the financial liabilities as they become due or use higher costs to settle relevant financial liabilities.

(a) Cash flow control and hedging strategy

With the following controls and hedge strategies, the working capital of the subsidiary, Hotai Insurance Co., Ltd. is sufficient to meet insurance services and operational needs, and no liquidity risk is expected.

i. The investment in debt instruments and equity instruments are mostly traded in the active market and can be expected to be disposed at the price close to fair value.

ii. To make sure liquidity fund fulfill the liabilities when they fall due or capital requirements, the subsidiary manages liquidity through bank deposits and money market instruments.

iii. To make sure the effectiveness of liquidity risk management, cash flow analysis is employed, the subsidiary generates yearly and monthly net cash flow forecast according to annual plan of operating income and expenses. Based on the cash flow forecast, the subsidiary periodically monitors the actual income and expenses to execute cash management activities.

(b) Liquidity risk management

To effectively manage liquidity risk, except for holding a considerable portion of current assets, the subsidiary also limits the proportion of investment amount and reviews current assets and liabilities on a regular basis to ensure that above requirement is fully supported.

The table below analyses the insurance liabilities and non-derivative financial liabilities of the subsidiary, Hotai Insurance Co., Ltd., based on the remaining period at the balance sheet date to the contractual maturity date.

i. Non-derivative financial liabilities

September 30, 2017	Contractual undiscounted cash flows Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	over 10 years
Insurance liabilities	$ 3,542,482	$ 1,419,380	$ 234,368	$ 1,918,405
Payables	584,722	-	-	-
Deposits-in (included in other liabilities)	708	3,784	-	-

ii. Derivatives

September 30, 2017	Contractual undiscounted cash flows Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Derivatives settled by net amount	$ 3,199	$ -	$ -	$ -

C. Market risk

Market risk refers to the risk of changes in values or cash flows of accounts on the subsidiary, Hotai Insurance Co., Ltd.'s financial statements due to changes in financial markets. Major risk factors are as follows:

- Equity market prices
- Interest rate and credit spreads
- Currency exchange rates

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of "assets allocation strategy". In compliance with the subsidiary's "Risk Management Policy", the subsidiary's "Investment Policy Statement", and regulations of the competent authority, the subsidiary imposes investment limit on individual investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.'s current risk management mechanism in terms of individual risk factor:

(a) Price risk

The price risk is arising from the uncertainty of the prices of beneficial certificates. However, the subsidiary Hotai Insurance Co., Ltd. has appropriately spread the price risk through diversified portfolio to decrease the risk of investments centralised in any specific industry or issuance institution.

With other conditions unchanged, the reasonable sensitivity analysis on stock price change is shown below:

	September 30, 2017 Change of variables		Change in equity
Investment in listed companies' stocks and exchange traded funds	Increase in price	10%	$ 117,446
	Decrease in price	10%	(117,446)

(b) Interest rate risk

Interest rate risk refers to the risk from market interest rate change which results in change of fair value of financial instruments. The major investment for the subsidiary, Hotai Insurance Co., Ltd., is fixed interest rate debt investment. Increase in interest rate will result in decrease in fair value. However, due to focus on long-term stability and predictable income, the short-term interest rate change would have insignificant impact to the subsidiary. Thus, no major interest rate risk is expected.

With other conditions unchanged, the reasonable sensitivity analysis on interest rate change is shown below:

	September 30, 2017		
	Change of variables		Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	($ 191,313)
	Decrease in interest rate	100 basis point	191,313

(c) Foreign exchange risk

Foreign exchange risk refers to the risk from fluctuations in fair value of assets or future cash flow due to foreign exchange volatility.

The major foreign exchange risk of the subsidiary, Hotai Insurance Co., Ltd., results from US dollar position. The US dollar foreign exchange rate is shown below:

	September 30, 2017
Foreign exchange rate	30.26

The US dollar assets and liabilities are shown as below:

	September 30, 2017
USD Assets	USD 34,011,661.09
USD Liabilities	USD 2,229.04

Foreign exchange risk will affect the subsidiary, Hotai Insurance Co., Ltd.'s foreign currency denominated assets and liabilities. All foreign currency denominated investment assets held by the subsidiary has been commissioned to investment management for hedging, using the foreign exchange swap contracts.

As of September 30, 2017, the hedging ratio is up to 91%, effectively control the risk. Other foreign currency denominated assets and liabilities are originated from daily operations. Thus, the impact of foreign exchange risk on the subsidiary is immaterial.

Under the circumstance that other variables remain unchanged and after deducting the nominal principal of hedge items, the sensitivity analysis for reasonable fluctuations in exchange rates is as follows:

	September 30, 2017	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	($ 10,583)
	Depreciate 5% against NTD	10,583

(6) Insurance risk information

A. Insurance risk concentration

Insurance businesses undertaken by the subsidiary, Hotai Insurance Co., Ltd., comprise fire insurance, engineering insurance, accident insurance, transportation insurance, automobile insurance, and personal accident insurance.

Among them, as the subject matters of transportation insurance, automobile insurance, and personal accident insurance have mobility, the level of risk is deemed relatively dispersed. The subject matter of accident insurance has legality, and the risks in relation to accident insurance and aforesaid insurances are all dispersed through coverage limit control.

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the period from January 17, 2017 to September 30, 2017, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

	For the period from January 17, 2017 to September 30, 2017	
Line of Business	Premiums revenue	Retention premiums
Fire insurance	$ 865,214	$ 382,733
Engineering insurance	55,519	7,677

The subsidiary, Hotai Insurance Co., Ltd., has established catastrophe claims system to record losses of various line of insurance businesses and risks assumed by the subsidiary, including earthquake, typhoon, fire accident, air crash, and man-made catastrophes. The system also provides information for reinsurance brokers (prior to December 31, 2016 was Zurich Insurance Company Ltd.) to implement catastrophe measurement models and perform analysis on expected occurrence years such as 10 years, 50 years, 100 years, and 250 years. The model covers fire insurance, engineering insurance, marine insurance, automobile insurance, as well as earthquake and typhoon risks. The model provides monthly report of cumulative risk assessment for the purpose of monitoring the risk. With strict reinsurance strategies and arrangements, as well as system monitoring cumulative risk, the subsidiary, Hotai Insurance Co., Ltd., can appropriately and effectively prevent high risk concentration to achieve a goal of risk dispersion.

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claims reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for nine months ended September 30, 2017 and the result is shown below:

Line of Business	Nine months ended September 30, 2017			
	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	$ 23,185	$ 22,230	$ 23,185	$ 22,230
Automobile third party liability insurance	20,738	20,229	20,738	20,229
Personal property insurance	5,416	2,729	5,416	2,729
Commercial property insurance	28,432	11,637	28,432	11,637
Liability insurance	15,685	12,297	15,685	12,297
Marine cargo insurance	5,349	4,677	5,349	4,677
Engineering insurance	4,077	641	4,077	641
Personal accident insurance	30,666	29,400	30,666	29,400
Health insurance	3,914	3,632	3,914	3,632
Foreign inward reinsurance	756	732	756	732

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the nine months ended September 30, 2017.

C. Loss development pattern

As of September 30, 2017, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows：

(a) Direct business

Unit: NTD

September 30, 2017	Accident Year					
Development Year	≦2013	2014	2015	2016	Nine months ended September 30, 2017	Total
End of underwriting year	$18,709,422	$ 1,254,746	$ 1,399,479	$ 2,644,742	$ 1,313,082	
One year after underwriting year	18,689,547	1,246,204	1,401,087	2,386,029	-	
Two years after underwriting year	18,590,082	1,169,059	1,434,532	-	-	
Three years after underwriting year	18,733,106	1,144,014	-	-	-	
Four years after underwriting year	18,740,567	-	-	-	-	
Estimated ultimate losses	18,740,567	1,144,014	1,434,532	2,386,029	1,313,082	
Paid losses	(18,377,007)	(1,003,227)	(1,078,043)	(1,857,995)	(518,332)	
Total reserve	$ 363,560	$ 140,787	$ 356,489	$ 528,034	$ 794,750	$ 2,183,620
Adjustment item (Note)						241,321
Realized amount in balance sheet (include in claims reserve of insurance liabilities)						$ 2,424,941

(b) Retention business

Unit: NTD

September 30, 2017	Accident Year					
Development Year	≤2013	2014	2015	2016	Nine months ended September 30, 2017	Total
End of underwriting year	$ 11,969,736	$ 1,106,407	$ 1,197,810	$ 1,100,469	$ 926,459	
One year after underwriting year	11,927,734	1,127,656	1,216,337	1,108,591	-	
Two years after underwriting year	11,876,106	1,055,804	1,251,466	-	-	
Three years after underwriting year	11,923,948	1,044,009	-	-	-	
Four years after underwriting year	11,918,608	-	-	-	-	
Estimated ultimate losses	11,918,608	1,044,009	1,251,466	1,108,591	926,459	
Paid losses	(11,664,296)	(935,225)	(965,923)	(812,946)	(431,618)	
Total reserve	$ 254,312	$ 108,784	$ 285,543	$ 295,645	$ 494,841	$ 1,439,125
Adjustment item (Note)						179,061
Realized amount in balance sheet (include in claims reserve of insurance liabilities)						$ 1,618,186

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

Based on the table above, the estimated cumulative loss amount of each accident year is estimated based on the current available information, however, the actual amounts may be deviated from the estimation due to the loss development in the following years.

(7) The subsidiary-Hotai Insurance Co., Ltd. assets and liabilities recoverable or payable within or over 12 months after the balance sheet date are as follows:

September 30, 2017	Book value	Within 12 months	Over 12 months
Assets			
Cash and cash equivalents	$ 2,325,146	$ 2,325,146	$ -
Receivables	502,485	502,485	-
Current income tax assets	4,103	-	4,103
Financial assets at fair value through profit or loss	-	-	-
Available-for-sale financial assets	5,515,612	1,198,667	4,316,945
Other financial assets	1,426,229	1,293,876	132,353
Investment property	329,565	-	329,565
Reinsurance contract assets	1,605,890	1,053,649	552,241
Property and equipment	405,904	-	405,904
Intangible assets	40,612	-	40,612
Other assets	347,222	15,687	331,535
Liabilities			
Payables	$ 584,722	$ 584,722	$ -
Financial liabilities at fair value through profit or loss	3,199	3,199	-
Insurance liabilities	7,114,634	3,542,482	3,572,152
Provisions	22,423	-	22,423
Other liabilities	56,830	53,046	3,784

(8) <u>The subsidiary-Hotai Insurance Co., Ltd.'s related information on commissioned investments</u>

Beginning on July 31, 2017, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Yuanta Securities Investment Trust Company Limited ("Yuanta Funds") and First Securities Investment Trust Company Limited ("FSITC"), to commission Yuanta Funds and FSITC to manage the investment in domestic and foreign listed companies' stocks totaling $500,000 and $1,000,000, respectively. As of September 30, 2017, the total amount of investments that Yuanta Funds and FSITC managed on behalf of the subsidiary, Hotai Insurance Co., Ltd., amounted to $130,010 and $356,961.

In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited ("JPMorgan"), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. As of September 30, 2017, the total amount of investments that the subsidiary commissioned to JPMorgan was $3,787,366.

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(9) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention earned premiums is shown below:

	Three months ended September 30, 2017					
Category of Insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	$ 56,964	$ 31,281	$ 24,434	$ 63,811	$ 2,824	$ 60,987
Elective insurance	1,262,122	83,684	239,754	1,106,052	254,508	851,544
	1,319,086	114,965	264,188	1,169,863	257,332	912,531
Discount	1	-	-	1	-	1
	$ 1,319,087	$ 114,965	$ 264,188	$ 1,169,864	$ 257,332	$ 912,532

	For the period from January 17, 2017 to September 30, 2017					
Category of Insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	$ 158,753	$ 79,870	$ 63,229	$ 175,394	$ 6,078	$ 169,316
Elective insurance	3,330,970	201,050	745,471	2,786,549	738,492	2,048,057
	3,489,723	280,920	808,700	2,961,943	744,570	2,217,373
Discount	9	-	-	9	-	9
	$ 3,489,732	$ 280,920	$ 808,700	$ 2,961,952	$ 744,570	$ 2,217,382

(10) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention claim expenditures is shown below:

	Three months ended September 30, 2017			
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	$ 25,920	$ 22,194	$ 15,523	$ 32,591
Elective insurance	427,287	7,656	110,225	324,718
	$ 453,207	$ 29,850	$ 125,748	$ 357,309

	For the periods from January 17, 2017 to September 30, 2017			
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	$ 83,773	$ 67,650	$ 45,300	$ 106,123
Elective insurance	1,201,065	10,619	391,418	820,266
	$ 1,284,838	$ 78,269	$ 436,718	$ 926,389

(11) Financial information of compulsory automobile insurance:

The subsidiary, Hotai Insurance Co., Ltd., sets independent accounting for its compulsory automobile liability insurance in accordance with Compulsory Automobile Liability Insurance Act, recording the insurance' business and financial condition.

A. Balance sheets for compulsory automobile liability insurance are as follows:

	September 30, 2017
Assets	
Cash and cash equivalents	$ 1,497,269
Premiums receivable	2,810
Claims recoverable from reinsurers	6,459
Due from reinsurance and ceding companies	9,788
Other receivables	4,053
Ceded unearned premium reserve	48,023
Ceded claim reserve	68,293
Temporary payments and suspense accounts	881
Total assets	$ 1,637,576
Liabilities	
Claims payable	$ 74
Due to reinsurance and ceding companies	11,516
Unearned premium reserve	148,859
Claims reserve	199,903
Special reserve	1,277,104
Temporary payments and suspense accounts	120
Total liabilities	$ 1,637,576

As of September 30, 2017, the balance of time deposits included in cash and cash equivalents above with maturity of over one year was $1,330,963, and are recognized in the balance sheet as other financial assets.

B. Details of revenues and costs for compulsory automobile liability insurance are as follows:

		Three months ended September 30, 2017
Operating revenues		
Written premiums	$	40,730
Reinsurance premiums		31,281
Less: Reinsurance premiums ceded	(	24,434)
Net change in unearned premium reserve	(	2,823)
Retention earned premiums		44,754
Interest income		3,211
	$	47,965
Operating costs		
Claim expenditures	$	25,920
Reinsurance claim expenditures		22,194
Less: Reinsurance claims recovery	(	15,523)
Retention claim expenditures		32,591
Net change in claims reserve	(	4,150)
Net change in special reserve		19,523
	$	47,964

		For the period from January 17, 2017 to September 30, 2017
Operating revenues		
Written premiums	$	113,087
Reinsurance premiums		79,870
Less: Reinsurance premiums ceded	(	63,229)
Net change in unearned premium reserve	(	3,892)
Retention earned premiums		125,836
Interest income		9,080
	$	134,916
Operating costs		
Claim expenditures	$	83,773
Reinsurance claim expenditures		67,650
Less: Reinsurance claims recovery	(	45,300)
Retention claim expenditures		106,123
Net change in claims reserve	(	5,908)
Net change in special reserve		34,701
	$	134,916

(12) Capital management

The primary objectives of the subsidiary, Hotai Insurance Co., Ltd., when managing capital are to safeguard capital adequacy and solvency of the subsidiary in order to support the subsidiary's sustainable development and continuously create interests for shareholder.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The subsidiary, Hotai Insurance Co., Ltd. calculates the capital adequacy ratio once every nine months in accordance with "Regulations Governing Capital Adequacy of Insurance Enterprises" to ensure that it can continuously meet the statutory capital requirement.

Capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. The subsidiary, Hotai Insurance Co., Ltd. calculates capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy ratio were exceed 300% within the last two years and compliant with regulations.

(13) Certain accounts in the financial statements as of December 31, 2016, September 30, 2016 and January 1, 2016 have been reclassified in accordance with the disclosure of financial statements of insurance business to conform with the September 30, 2017 financial statement presentation.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows (For the information on investees, except for the financial statements of Hozan Investment Co., Ltd., Hotai Finance Co., Ltd. , Hotai Leasing Co., Ltd. and Hotai Insurance Co., Ltd. which were reviewed by independent accountants, other investees were based solely on the unreviewed financial statements):

A. Significant transactions information

(a) Loans to others: Please refer to table 1.

(b) Provision of endorsements and guarantees to others: Please refer to table 2.

(c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

(d) Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

(e) Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

(f) Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

(g) Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

(h) Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

(i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of September 30, 2017:

Company Name	Derivative Instruments	Contract Amount (in thousands)		Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD	239,950	2017.10.13~2017.12.14	$ 46,116	$ 46,116
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD	26,800	2017.12.29	(3,199)	(3,199)
Hotai Finance Co., Ltd.	Cross currency swaps	USD	145,000	2018.4.13~2020.3.13	(283,154)	(283,154)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY	3,100,000	2018.9.18	(27,571)	(27,571)
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD	5,000	2019.5.10	(8,000)	(8,000)
Carmax Co., Ltd.	Forward exchange contracts	JPY	41,702	2017.10.31	393	393

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

B. <u>Information on investees</u>

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

C. <u>Information on investments in Mainland China</u>

(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 sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Ho Tai Motor Co., Ltd. As of September 30, 2017, the Company's self-owned capital ratio was 80%.

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:

	Nine months ended September 30, 2017					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 79,230,373	$ 5,328,494	$ 13,668,452	$ 33,906,943	$ -	$ 132,134,262
Inter-segment revenue (Note)	5,843,993	282,921	193,897	4,860,163	(11,180,974)	-
Total segment revenue	$ 85,074,366	$ 5,611,415	$ 13,862,349	$ 38,767,106	($ 11,180,974)	$ 131,134,262
Segment income (loss) (Note)	$ 9,111,732	$ 1,351,361	$ 624,836	$ 4,279,390	($ 4,351,306)	$ 11,016,013
Segment assets	$ 56,068,219	$ 88,276,983	$ 44,270,900	$ 59,744,097	($ 53,637,880)	$ 194,722,319

	Nine months ended September 30, 2016					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 78,653,341	$ 4,915,740	$ 13,834,543	$ 32,989,365	$ -	$ 130,392,989
Inter-segment revenue (Note)	6,156,257	279,874	327,441	4,122,626	(10,886,198)	-
Total segment revenue	$ 84,809,598	$ 5,195,614	$ 14,161,984	$ 37,111,991	($ 10,886,198)	$ 130,392,989
Segment income (loss) (Note)	$ 9,387,278	$ 1,155,726	$ 528,624	$ 3,473,888	($ 3,467,849)	$ 11,077,667
Segment assets	$ 52,023,190	$ 80,855,281	$ 39,317,769	$ 33,570,426	($ 36,453,255)	$ 169,313,411

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 Company'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.

Ho Tai Motor Co., Ltd.

Loans to others

Nine months ended September 30, 2017

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 nine months ended September 30, 2017	Balance at September 30, 2017	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	Y	$ 201,082	$ 45,524	$ -	2.15%	Short-term financing	-	Operations	$ -	None	$ -	$ 217,753	$ 217,753	
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	228,502	91,049	-	2.15%	〃	-	〃	-	〃	-	329,631	329,631	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	100,541	45,524	-	2.15%	〃	-	〃	-	〃	-	141,608	141,608	
4	Shanghai Yangpu Heling Motor Sale & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	91,498	91,049	-	2.15%	〃	-	〃	-	〃	-	271,994	271,994	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	502,705	91,049	45,524	2.15%	〃	-	〃	-	〃	-	350,674	350,674	
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	45,749	44,524	-	2.15%	〃	-	〃	-	〃	-	199,962	199,962	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	292,483	91,049	-	2.15%	〃	-	〃	-	〃	-	226,824	226,824	
8	Nanchang Heling Lexus Moters Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	219,362	91,049	15,023	2.15%	〃	-	〃	-	〃	-	243,808	243,808	
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	45,749	45,524	-	2.15%	〃	-	〃	-	〃	-	218,351	218,351	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	91,498	91,049	4,097	2.15%	〃	-	〃	-	〃	-	195,546	195,546	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	91,498	91,049	-	2.15%	〃	-	〃	-	〃	-	255,959	255,959	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	〃	〃	91,498	91,049	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Moters Sales & Service Co., Ltd.	〃	〃	205,652	182,097	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	〃	〃	123,391	113,811	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	〃	〃	68,623	68,286	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	〃	〃	182,802	91,049	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	〃	〃	205,869	204,859	73,023	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	182,802	159,335	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	205,652	182,097	-	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	〃	〃	114,251	91,049	43,020	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	160,121	159,335	59,773	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	〃	22,874	22,762	17,208	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Motor Sale & Service Co., Ltd.	〃	〃	137,246	136,573	9,150	3.35%	〃	-	〃	-	〃	-	3,523,359	7,046,718	
12	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	〃	〃	228,744	227,621	227,621	3.85%	〃	-	〃	-	〃	-	3,523,359	7,046,718	

Ho Tai Motor Co., Ltd.

Provision of endorsements and guarantees to others

Nine months ended September 30, 2017

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 September 30, 2017	Outstanding endorsement/ guarantee amount at September 30, 2017	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	$ 13,286,620	$ 921,674	$ 921,674	$ -	$ -	2.08%	$ 22,144,367	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	13,286,620	346,035	151,300	-	-	0.34%	22,144,367	〃	〃	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	〃	13,286,620	438,048	344,964	-	-	0.78%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	〃	13,286,620	304,200	136,170	-	-	0.31%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	13,286,620	304,200	226,950	-	-	0.51%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	〃	13,286,620	225,675	136,170	-	-	0.31%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	13,286,620	406,215	226,950	-	-	0.51%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	〃	13,286,620	228,150	136,170	-	-	0.31%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Nanchang Heling Lexus Moters Sales & Service Co., Ltd.	〃	13,286,620	380,250	226,950	-	-	0.51%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	13,286,620	47,018	45,390	-	-	0.10%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	〃	13,286,620	481,440	257,210	-	-	0.58%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	〃	13,286,620	266,433	136,170	-	-	0.31%	22,144,367	〃	〃	〃	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Yuangpu Heling Motor Sale & Service Co., Ltd.	〃	13,286,620	243,360	242,080	-	-	0.55%	22,144,367	〃	〃	〃	〃
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Subsidiary	9,092,537	3,953,872	3,929,817	287,873	-	43.22%	9,092,596	〃	〃	〃	Note 2
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	211,439	30,420	30,260	-	-	4.29%	352,399	〃	〃	〃	Note 3

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

Note 2： For Hotai Finance Co., Ltd. the limit of endorsement is no more than 100% of its total equity; the limit of edorsement for any 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 accountants.

Note 3： For Toyota Material Handling Taiwan Ltd., the limit of total endorsement is no more than 50% of its total equity; the limit of endorsement for any single entity is no more than 30% 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 accountants.

Ho Tai Motor Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Nine months ended September 30, 2017

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

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock -Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	$ 489,657	0.15%	$ 489,657	
	-Shihlin Electric & Engineering Corporation Etc.	-	〃	-	91,750	0.00%~0.42%	91,750	
	Taian Insurance Co., Ltd. Etc.	None	〃	-	246,496	0.03%~3.10%	246,496	
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	〃	-	500,000	-	500,000	
			Total		$ 1,327,903		$ 1,327,903	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	$ 2,716	0.50%	$ 2,716	
	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	404,367	$ 4,140	-	$ 4,150	
			Valuation adjustment of financial assets		10		-	
			Total		$ 4,150		$ 4,150	
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	32,341,463	$ 329,551	-	$ 331,885	
			Valuation adjustment of financial assets		2,334		-	
			Total		$ 331,885		$ 331,885	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	$ 2,983	0.01%~0.50%	$ 2,983	
	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	9,767,536	$ 100,000	-	$ 10,233	
			Valuation adjustment of financial assets		233		-	
			Total		$ 100,233		$ 100,233	
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co., Ltd.	-	Available-for-sale financial assets - non-current	-	$ 1,102	-	$ 1,102	
	Ho An Insurance Agency Co., Ltd. Etc.	-	〃	-	2,983	0.01%~0.56%	2,983	
	President securities Corp.-PGNW0085	None	Available-for-sale financial assets-current	-	96,013	-	96,013	
	Beneficiary certificates							
	- Hua Nan Phonenix Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	12,392,572	200,000		200,119	
			Valuation adjustment of financial assets		119		-	
			Total		200,119		200,119	
Ho Tai Service & Marketing Co., Ltd	Bestaiwan Co., Ltd.	None	Available-for-sale financial assets-non-current	11,974	$ -	0.12%	$ -	
	Beneficiary certificates							
	- BOT Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	2,527,891	$ 30,000	-	$ 30,070	
			Valuation adjustment of financial assets		70		-	
			Total		$ 30,070		$ 30,070	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets-non-current	-	$ 2,716	0.50%	$ 2,716	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	〃	-	$ 2,716	0.50%	$ 2,716	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	〃	-	$ 23,035	10.48%	$ 23,035	

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

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

Nine months ended September 30, 2017

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

Table 4

					Balance as at January 1, 2017		Addition		Disposal				Balance as at September 30, 2017	
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.	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	30,936,957	$ 500,000	-	$ -	30,936,957	$ 500,056	$ 500,000	$ 56	-	$ -
Ho Tai Motor Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	〃	〃	〃	48,872,129	500,000	34,147,865	350,000	83,019,994	850,327	850,000	327	-	-
Ho Tai Motor Co., Ltd.	Jih Sun Money Market Fund	〃	〃	〃	20,454,917	300,000	13,614,889	200,000	34,069,806	500,262	500,000	262	-	-
Ho Tai Motor Co., Ltd.	Mega Diamond Money Market Fund	〃	〃	〃	48,320,591	600,000	32,163,908	400,000	80,484,499	1,000,277	1,000,000	277	-	-
Ho Tai Motor Co., Ltd.	FSITC Money Market Fund	〃	〃	〃	19,809,957	300,000	45,477,781	690,000	65,287,738	990,529	990,000	529	-	-
Ho Tai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	〃	〃	〃	45,809,780	500,000	-	-	45,809,780	500,055	500,000	55	-	-
Ho Tai Moter Co., Ltd.	Nan Shan Life Insurance Perpetual Subordinated Bonds	Available-for-sale financial assets - non-current	〃	〃	-	-	-	500,000	-	-	-	-	-	500,000
Ho Tai Motor Co., Ltd.	Union Money Market Fund	Financial assets at fair value through profit or loss - current	〃	〃	-	-	15,274,171	200,000	15,274,171	200,249	200,000	249	-	-
Hozan Investment Co., Ltd.	Zurich Insurance (Taiwan) Ltd.	Investments accounted for using equity method	Zurich Insurance Company Ltd. etc.	〃	-	-	19,960,531	$ 6,870,904 (Note 1)	-	-	-	-	19,960,531	6,870,904
Ho Tai Development Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	〃	14,287,752	230,000	18,598,202	300,000	20,493,382	330,416	330,000	416	12,392,572	200,000
Ho Tai Development Co., Ltd.	President USD 100% principal guaranteed structured product	Available-for sale financial assets - current	〃	〃	-	-	-	479,716	-	384,537	383,773	764	-	95,943
Chang Yuan Motor Co., Ltd.	Mega Diamond Money Market Fund	〃	〃	〃	30,607,007	380,000	-	-	30,607,007	380,186	380,000	186	-	-
Hotai Finance Co., Ltd.	Hoyun International Limited	Investments accounted for using equity method	Hoyun International Limited	Subsidiary	15,150,000	458,439	10,100,000	305,626	-	-	-	-	25,250,000	764,065

Note 1: Including the purchase price and the adjustments of investment profit or loss.
Note 2: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

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

Nine months ended September 30, 2017

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	$ 16,472,134	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	$ 413,337	16%	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	15,425,116	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	417,703	17%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	12,358,270	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	331,298	13%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	11,084,716	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	321,597	13%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	10,118,394	13%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	396,200	16%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	9,944,106	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	273,983	11%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	1,657,846	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	42,302	2%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	〃	1,425,326	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	48,423	2%	
Ho Tai Moter Co., Ltd.	Chang Yuan Motor Co., Ltd.	〃	〃	1,075,132	1%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	〃	149,798	6%	
Ho Tai Motor Co., Ltd.	Ho Tai Leasing Co., Ltd.	〃	〃	310,036	-	Collection at sight	Normal	〃	40,269	2%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	30,559,018	60%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	〃	(599,569)	10%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	〃	23,020,599	45%	Closes its accounts 15 days after the end of each month	〃	〃	(2,974,737)	50%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	〃	〃	1,504,652	3%	Closes its accounts 15 days after the end of each month	〃	〃	(172,365)	3%	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe NV/SA	〃	〃	1,242,799	2%	Closes its accounts 15 days after the end of each month	〃	〃	(198,624)	3%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	〃	1,129,929	2%	Closes its accounts 16 days after the end of each month	〃	〃	(136,933)	2%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	〃	528,722	1%	Closes its accounts 16 days after the end of each month	〃	〃	(60,087)	1%	
Ho Tai Moter Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	〃	197,130	-	Closes its accounts 15 days after the end of each month	〃	〃	(5,253)	-	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	Associates	Sales	415,089	5%	14 days after invoice date	Normal	〃	24,808	1%	
Chang Yuan Motor Co., Ltd.	Ho Tai Leasing Co., Ltd.	〃	〃	313,455	4%	Collection at sight	〃	〃	-	-	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	〃	Purchases	5,784,978	78%	7 days after invoice date	Not applicable	Not applicable	(145,200)	31%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	〃	1,075,132	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	(149,798)	32%	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	〃	245,537	77%	Closes its accounts 15 days after the end of each month	〃	Normal	(17,378)	40%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Sales	1,129,929	30%	Closes its accounts 16 days after the end of each month	Normal	〃	136,933	18%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	〃	433,282	11%	Closes its accounts 35 days after the end of each month	〃	〃	115,953	15%	
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	〃	〃	364,036	10%	Closes its accounts 25 days after the end of each month	〃	〃	15,979	2%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	〃	〃	357,463	9%	Closes its accounts 35 days after the end of each month	〃	〃	71,469	9%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	〃	〃	247,716	7%	Closes its accounts 40 days after the end of each month	〃	〃	56,140	7%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	〃	〃	152,190	4%	Closes its accounts 40 days after the end of each month	〃	〃	16,207	2%	
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd.	〃	〃	147,988	4%	Closes its accounts 40 days after the end of each month	〃	〃	-	-	
Carmax Co., Ltd.	Taipei Toyato Motor Co., Ltd.	〃	Purchases	176,141	6%	Closes its accounts 21 days after the end of each month	〃	〃	(23,410)	5%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	〃	〃	129,229	4%	Closes its accounts 10 days after the end of each month	〃	〃	(12,430)	3%	
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	〃	〃	5,488,259	18%	Payment at sight	〃	〃	(62,640)	15%	
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	3,465,323	11%	Payment at sight	〃	〃	(74,538)	18%	
Hotai Finance Co., Ltd.	Nan Du Automobile Co., Ltd.	〃	〃	3,336,081	11%	Payment at sight	〃	〃	(45,260)	11%	
Hotai Finance Co., Ltd.	Kau Du Motor Co., Ltd.	〃	〃	3,256,921	11%	Payment at sight	〃	〃	(68,950)	16%	
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	3,022,538	10%	Payment at sight	〃	〃	(111,250)	26%	
Hotai Finance Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	2,304,877	7%	Payment at sight	〃	〃	(330)	-	
Hotai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	523,982	2%	Payment at sight	〃	〃	(10,410)	2%	
Hotai Finance Co., Ltd.	Eastern Motor Co., Ltd.	〃	〃	522,464	2%	Payment at sight	〃	〃	(11,340)	3%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	1,063,687	12%	Payment at sight	Normal	Normal	-	-	Note
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	1,024,161	12%	Payment at sight	〃	〃	(6,001)	6%	〃
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	752,743	8%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	697,696	8%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	〃	〃	617,114	7%	Payment at sight	〃	〃	(3,217)	3%	〃
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	323,154	4%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Innovation Auto Parts Co., Ltd.	〃	〃	319,295	4%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	〃	〃	313,455	4%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	〃	310,036	3%	Payment at sight	〃	〃	(40,269)	39%	〃
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Associates	〃	137,362	3%	Closes its accounts 60 days after the end of each month	〃	〃	(26,646)	84%	
Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	Associates	Sales	522,464	46%	Collection at sight	〃	〃	11,340	8%	
Eastern Motor Co., Ltd.	Ho Tai Moter Co., Ltd.	Parent company	Purchases	1,425,326	94%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	(48,423)	87%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China)Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	1,827,996	91%	Payment in advance	〃	〃	-	-	
Shanghai Yangpu Heling Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	940,570	100%	Payment in advance	〃	〃	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,240,836	85%	Payment in advance	〃	〃	-	-	
Nanchang Heling Lexus Moters Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	968,442	91%	Payment in advance	〃	〃	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	917,715	96%	Payment in advance	〃	〃	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	861,288	97%	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
September 30, 2017
Expressed in thousands of New Taiwan Dollars, except as otherwise indicated

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2017		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action taken		
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	Associates	Accounts receivable	$ 417,703	66.93	-	-	417,703	-
			Other receivables	$ 4,335				4,335	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	〃	Accounts receivable	$ 413,337	57.81	-	-	413,337	-
			Other receivables	$ 5,104				5,104	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	〃	Accounts receivable	$ 396,200	46.03	-	-	396,200	-
			Other receivables	$ 13,275				13,275	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	Accounts receivable	$ 331,298	62.21	-	-	331,298	-
			Other receivables	$ 4,000				4,000	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	Accounts receivable	$ 321,597	51.47	-	-	321,597	-
			Other receivables	$ 3,738				3,738	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	Accounts receivable	$ 273,983	52.25	-	-	273,983	-
			Other receivables	$ 3,773				3,773	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	$ 149,798	10.97	-	-	149,798	-
			Other receivables	$ 10,042				10,042	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent Company	Accounts receivable	$ 136,933	10.53	-	-	136,933	-
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Accounts receivable	$ 115,953	38.15	-	-	-	-

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Nine months ended September 30, 2017

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	$ 1,075,132	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	704,179	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	Accounts receivable	149,798	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	310,036	Collection sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discount	193,861	Closes it accounts 16 days after the end of each month	-
0	Ho Tai Motor Co.,Ltd.	Carmax Co., Ltd.	1	Sales revenue	82,010		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	136,933		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,425,326	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	〃	313,455	Collection sight	-
2	Hotai Finance Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Other income	193,861		-
2	Hotai Finance Co., Ltd.	Hotai Leasing Co., Ltd.	3	Commission expense	70,806		-
3	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	522,464	Collection sight	-
4	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	〃	1,129,929	Closes its accounts 16 days after the end of each month	1%
5	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	137,362	Closes it accounts 60 days after the end of each month	-
5	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	129,229		-
6	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Sales & Service Co., Ltd.	3	Other receivable	73,023		-
6	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	〃	227,621		-

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)

Nine months ended September 30, 2017

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

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount: Balance at September 30, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at September 30, 2017: Number of shares	Shares held as at September 30, 2017: Ownership (%)	Shares held as at September 30, 2017: Book value	Net profit (loss) of the investee for the nine months ended September 30, 2017	Investment income (loss) recognized by the Company for the nine months ended September 30, 2017	Footnote
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	$ 7,780,182	$ 650,182	-	100.00	$ 15,783,359	$ 962,160	$ 962,160	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	4,470,095	2,924,211	880,926	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investment in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,849,866	58,897,360	100.00	3,672,603	398,070	398,070	Subsidiary
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	291,320,000	100.00	3,697,302	181,951	181,951	〃
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	〃	〃	2,098,966	2,098,966	15,000,000	20.00	2,403,134	220,623	41,819	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	2,151,435	652,065	293,201	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,390,366	212,506	38,996	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	1,311,755	184,013	32,150	〃
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	〃	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,061,788	551,923	281,481	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	907,267	126,408	44,003	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	944,347	244,215	48,965	〃
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	186,851	186,851	14,806,073	23.67	878,193	263,033	62,260	〃
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	〃	Sales and repairing of vehicles for industry use	50,000	50,000	48,816,929	100.00	693,030	94,437	94,437	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	〃	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	32,136,201	100.00	363,004	20,034	20,034	〃
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	256,000	256,000	2,000,000	20.00	281,147	34,645	6,417	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	268,457	11,305	5,148	〃
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	130,599	51,677	10,925	〃
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	120,816	67,448	16,862	〃
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	〃	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	11,354	3,505	701	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Equity investment in Mainland China, trading and repairing of vehicles and their parts	105,910	105,910	3,500,000	70.00	97,982	6,978	-	〃

				Initial investment amount		Shares held as at September 30, 2017					
Investor	Investee	Location	Main business activities	Balance at September 30, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the nine months ended September 30, 2017	Investment income (loss) recognized by the Company for the nine months ended September 30, 2017	Footnote
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investment in Mainland China, trading and repairing of vehicles and their parts	36,312	36,312	1,200,000	40.00	-	-	-	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	6,025,664	1,083,984	-	Subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	〃	Leasing of light passenger vehicles	181,907	181,907	70,395,061	66.04	2,090,829	377,620	-	〃
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	〃	Installment trading of various vehicles	34,756	34,756	3,475,571	18.29	276,031	50,953	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	0.00	95	126,408	-	〃
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	〃	Property and casualty insurance services	6,831,887	-	19,960,531	99.80	6,831,299	(14,169)	-	Subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	〃	General investment	298,864	-	20,470,156	40.00	322,307	67,360	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co.,Ltd.	Ho Tai Cyber Connection Co., Ltd.	Taiwan	E-commerce platform services of used vehicles	230,000	-	23,000,000	100.00	230,000	-	-	Subsidiary
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	764,065	458,439	25,250,000	50.50	1,044,269	110,781	-	〃
Hotai Leasing Co., Ltd.	Hoyun International Limited	〃	〃	748,935	449,361	24,750,000	49.50	1,022,233	110,781	-	〃
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	〃	90,780	90,780	3,000,000	100.00	118,811	(2,039)	-	〃
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	314,501	75,967	-	〃
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	〃	Advertisement making	2,400	2,400	240,000	30.00	1,091	-	-	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	-	-	〃
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	〃	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	34,637	3,505	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	〃	Wholesale and retail of vehicles parts and assessories	500	500	138,718	100.00	12,803	8,643	-	〃
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	90,780	90,780	3,000,000	100.00	118,811	(2,039)	-	〃

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Nine months ended September 30, 2017
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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2017	Net income of investee for the nine months ended September 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2017	Book value of investment in Mainland China as of September 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	2,361,642	Note 1.2	346,477	-	-	346,477	393,335	100.00	393,335	3,523,359	-	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	101,976	〃	101,976	-	-	101,976	41,464	100.00	41,464	217,753	-	〃
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	〃	136,572	〃	11,121	-	-	11,121	-	10.48	-	11,121	13,327	〃
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	〃	90,780	〃	30,260	-	-	30,260	-	40.00	-	-	-	〃
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	181,560	〃	181,560	-	-	181,560	59,771	100.00	59,771	350,674	-	〃
Shanghai Hozhan Motor Service Co., Ltd.	〃	90,780	〃	90,780	-	-	90,780	30,949	100.00	30,949	141,608	-	〃
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	〃	151,300	〃	105,910	-	-	105,910	6,978	70.00	4,884	139,974	-	〃
Shanghai Heling Motor Service Co., Ltd.	〃	105,910	Note 1.3	79,433	-	-	79,433	127,577	100.00	127,577	329,631	-	〃
ChongQing Yurun Toyota Automobile Service Co., Ltd.	〃	136,572	Note 1.2	11,915	-	-	11,915	-	10.48	-	11,915	-	〃
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	133,144	〃	133,144	-	-	133,144	358	100.00	358	105,271	-	〃
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	413,049	Note 1.2	281,418	-	-	281,418	(7,440)	100.00	(7,440)	218,351	-	〃
ZaoZhuang Ho-Wan	Sales and repairing of vehicles	15,023	Note 1.3	-	-	-	-	-	100.00	-	15,023	-	〃
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	175,508	Note 1.2	175,508	-	-	175,508	40,762	100.00	40,762	226,824	-	〃
Nanchang Heling Lexus Moters Sales & Service Co., Ltd.	〃	196,690	〃	196,690	-	-	196,690	44,935	100.00	44,935	243,808	-	〃
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	1,513,000	〃	907,800	605,200	-	1,513,000	110,781	66.03	73,157	1,365,408	-	〃
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	182,097	Note 1.3	-	-	-	-	2,755	66.03	1,819	123,616	-	〃
He Zhan Shanghai Development Co., Ltd.	Trading of air coniditoning equipment	90,780	Note 1.2	90,780	-	-	90,780	(2,038)	45.01	(917)	53,477	-	〃
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	363,120	Note 1.3	-	-	-	-	49,427	100.00	49,427	255,959	-	〃
Tianjin Hozhan Motor Service Co., Ltd.	〃	312,295	〃	-	-	-	-	19,482	100.00	19,482	195,546	-	〃
Linyi Hoyu Toyota Motor Sales and Service Co., Ltd.	〃	363,120	〃	-	-	-	-	(10,543)	35.00	(3,690)	67,666	-	〃
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	40,246	Note 1.1	40,246	-	-	40,246	26,341	51.00	13,433	149,504	-	〃
Guangzhou Gac Changho Autotech Corporation	〃	96,630	〃	43,484	-	-	43,484	52,658	22.95	12,085	89,120	17,945	〃
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	302,600	Note 1.3	-	-	-	-	14,928	35.00	5,225	54,000	-	〃
Taizhou Zhongdu Lexus Motor Sale Service Co.,Ltd.	〃	453,900	〃	-	-	-	-	17,739	35.00	6,209	126,865	-	〃

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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2017	Net income of investee for the nine months ended September 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2017	Book value of investment in Mainland China as of September 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	363,120	Note 1.3	-	-	-	-	54,965	35.00	19,238	100,248	-	Note 2.3
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	〃	332,860	〃	-	-	-	-	(17,917)	35.00	(6,271)	52,481	-	〃
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	13,657	〃	-	-	-	-	(19)	60.00	(11)	10,229	-	〃
Shanghai Guangxin Cultural Media Co., Ltd	Design and production of advertisements	4,552	〃	-	-	-	-	56	100.00	56	4,678	-	〃
Shanghai Yangpu Heling Motor Sales & service Co., Ltd.	Sales and repairing of vehicles	486,655	〃	-	-	-	-	31,544	100.00	21,298	271,994	-	〃

Note 1: The investmets are classified as follows:

1.Direct investment in Mainland China.

2.Investment in Mainland China companies through a company invested and established in a third region.

3.Others.

Note 2：The amount of investment income (loss) recognized for the Nine months ended September 30, 2017 is based on:

1.The financial statements were reviewed and attested by R.O.C parent company's CPA.

2.The financial statements were audited by other independent accountants in PricewaterhouseCoopers, Taiwan.

3.Others-Based on the valuation and disclosure of financial statements that were not reviewed by the independent auditors.

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 September 30, 2017	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.	$ 1,641,611	$ 2,899,177	$ 31,312,103