HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECMEBER 31, 2017 AND 2016

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2017, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Ho Tai Motor Co., Ltd.

March 27, 2018

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR17000339
To the Board of Directors and Shareholders
Ho Tai Motor Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to "other matter" section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance" and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standard Interpretations Committee (SIC) Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

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

Description

Please refer to Note 4(12) to the consolidated financial statements for accounting policies on provision for impairment of accounts receivable; Note 5(2) D for uncertainty of accounting estimate and assumptions of provisions for impairment of accounts receivable, and Note 6(5) for the details of accounts receivable.

Hotai Finance Co., Ltd. (“ Hotai Finance“), a significant subsidiary of Ho Tai Motor Co., Ltd., is primarily engaged in the installment sales and leases of vehicles. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collection of accounts receivable and manages overdue accounts.

When accounts receivable are past due over 30 days, Hotai Finance Co., Ltd. already considers the collectability of those accounts in doubt. In addition to enhancing collection progress from customers, management also assesses the collectability of each account based on the probability of overdue accounts becoming impaired over the past years. Impairment is provided for those doubtful accounts receivable depending on the length of overdue days. The decision to increase the allowance for bad debt proportionately is based on the individual circumstances of each overdue account. The assessment involves management’s judgement on multiple factors that may affected by the customer’s payment ability, including the customer’s financial situation, payment history, and the current economic environment. Therefore, the estimation of the allowance for bad debt is identified as a key audit matter.

How our audit addressed the matter

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

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

Valuation of the provisions for warranty

Description

Please refer to Note 4(29) to the consolidated financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimate and assumptions of provisions for warranty, and Note 6(21) for details of the provisions for warranty.

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

How our audit addressed the matter

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

1. For each agent brand sold within 4 years and met the warranty claimed in 4th year or less than 120 thousand kilometer, obtained those cars' maintenance details and registration forms, sampled and tested each car's warranty cost on maintenance records for each car model.
2. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme as aforementioned. Evaluated the reasonableness of provision for warranty by considering the warranty average claimed cost from each agent brand.

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

Description

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

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

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

How our audit addressed the matter

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

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

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

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

Description

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

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

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

How our audit addressed the matter

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

1. Understood and assessed the Company's policies, internal control, and operational procedures related to claims reserve (including those ceded) and reviewed the effectiveness of controls related to claims reserve on a sample basis.

2. Examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.

3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:

   (1) Examined the reasonableness of the assessment method for the reserves;

   (2) Examined the reasonableness of the expected loss ratio used by the Company;

(3) Established the estimates of the range for incurred but not report claims reserve. On an overall insurance-type sampling basis, compared the estimates of the range and the account balances of the reserves for any significant (or material) differences in order to confirm the reasonableness of the allowances for the reserves.

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

Other matter – Using the work of other independent accountants

We did not audit the financial statements of investments recognized under the equity method that are included in the financial statements. Investments using equity method amounted to NT$ 5,605,858 thousand and NT$ 5,189,047 thousand as at December 31, 2017 and 2016, constituting 2.71% and 2.90% of consolidated total assets, respectively. For the years ended December 31, 2017 and 2016, the comprehensive income amounted to NT$ 275,986 thousand and NT$ 308,221 thousand, constituting 2.39% and 2.67% of consolidated total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Ho Tai Motor Co., Ltd. as of and for the years ended December 31, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chin-Mu, Hsiao　　　　Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan
March 27, 2018

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

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

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

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

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

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

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

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

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

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECMEBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)

		Equity attributable to shareholders of the parent										
				Retained earnings			Other equity					
	Notes	Share capital-common stock	Capital surplus – additional paid -in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain from available-for-sale financial assets	Loss on effective portion of cash flow hedges	Total	Non-controlling interests	Total equity
For the year ended December 31, 2016												
Balance at January 1, 2016		$ 5,461,792	$ 263,060	$ 7,285,058	$ 381,843	$ 24,863,218	$ 372,709	$ 738,780	($ 2,321)	$ 39,364,139	$ 6,412,823	$ 45,776,962
Appropriation and distribution of retained earnings:												
Legal reserve	6(25)	-	-	977,659	-	(977,659)	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	(478,412)	(7,032,562)
Profit for the year		-	-	-	-	10,740,039	-	-	-	10,740,039	1,318,860	12,058,899
Other comprehensive income (loss) for the year		-	-	-	-	7,937	(484,291)	44,400	(6,804)	(438,758)	(74,208)	(512,966)
Changes in ownership interests in subsidiaries		-	-	-	-	(5,028)	-	-	-	(5,028)	-	(5,028)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	293,784	293,784
Balance at December 31, 2016		$ 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
For the year ended December 31, 2017												
Balance at January 1, 2017		$ 5,461,792	$ 263,060	$ 8,262,717	$ 381,843	$ 28,074,357	($ 111,582)	$ 783,180	($ 9,125)	$ 43,106,242	$ 7,472,847	$ 50,579,089
Appropriation and distribution of retained earnings:												
Legal reserve	6(25)	-	-	1,074,004	-	(1,074,004)	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	(701,014)	(7,255,164)
Profit for the year		-	-	-	-	10,115,607	-	-	-	10,115,607	1,448,988	11,564,595
Other comprehensive income (loss) for the year		-	-	-	-	(44,027)	(82,657)	126,782	(12,496)	(12,398)	(12,173)	(24,571)
Change in non-controlling interests	6(33)	-	-	-	-	-	-	-	-	-	12,199	12,199
Balance at December 31, 2017		$ 5,461,792	$ 263,060	$ 9,336,721	$ 381,843	$ 30,517,783	($ 194,239)	$ 909,962	($ 21,621)	$ 46,655,301	$ 8,220,847	$ 54,876,148

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)

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

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan Dollars)

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

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECMEBER 31, 2017 AND 2016

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

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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2018.

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
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

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
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
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(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
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 impact 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.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

In accordance with IFRS 9, the Group’s subsidiary, Hotai Insurance Co., Ltd. expects to reclassify available-for-sale financial assets in the amounts of $5,774,272 and select the overlay approach to be the alternative, by increasing financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in the amounts of

$1,898,061 and $3,876,211, respectively. This reclassification will not impact retained earnings and other equity.

In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of $964,799 and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of $964,799. In addition, in accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets in the amount of $500,000, by increasing financial assets at fair value through profit or loss in the amount of $500,000.

(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
Plan amendment, curtailment or settlement (amendments to IAS19)	January 1, 2019
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
Annual improvement to IFRSs 2015-2017 cycle	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 recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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 recognizes 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 recognizes 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.

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" International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Investee	Main business activities	December 31, 2017	December 31, 2016	Note
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	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	

Investor	Investee	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Note
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	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	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	Note 1
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	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	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	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	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service.Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chonging Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	100.00	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	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories	100.00	-	Note 6
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co.,Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	Note 5
Shanghai Hoyu Motor Service Co.,Ltd.	Shanghai Heling Motor Service Co.,Ltd.	Sales and repairing of vehicles	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co.,Ltd.	Shanghai Hede Used Vehicle Co.,Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Shanghai Hoyu Motor Service Co.,Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Note
Shanghai Heling Motor Service Co.,Ltd.	Shanghai Hede Used Vehicle Co.,Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	Note 4
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	66.03	66.03	
Hozan Investment Co.,Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.80	-	Note 3
Hozan Investment Co., Ltd.	Ho Tai Cyber Connection Co., Ltd.	E-commerce platform services of used vehicles	100.00	-	Note 5
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	Note 1
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	

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

Note 2: 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: 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 4: In January 2017, Shanghai Heling Motor Service Co., Ltd. acquired 100% equity of Shanghai Yangpu Heling Lexus 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 5: The investee was newly established in the third quarter of 2017.

Note 6: the investee was newly established in the fourth 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 December 31, 2017 and 2016, the non-controlling interest amounted to $8,220,847 and $7,472,847, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2017		December 31, 2016	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	$ 3,224,731	33.967%	$ 2,911,470	33.967%
Hotai Leasing Co., Ltd.	Taiwan	1,111,065	33.958%	1,003,160	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	$ 107,112,139	$ 92,686,324
Non-current assets	2,429,738	3,028,828
Current liabilities	(89,101,010)	(81,302,185)
Non-current liabilities	(9,909,275)	(5,154,267)
Total net assets	$ 10,531,592	$ 9,258,700

	Hotai Leasing Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	$ 2,249,706	$ 2,059,270
Non-current assets	24,935,495	23,578,447
Current liabilities	(9,871,742)	(10,488,012)
Non-current liabilities	(14,041,579)	(12,195,805)
Total net assets	$ 3,271,880	$ 2,953,900

Statements of comprehensive income

	Hotai Finance Co., Ltd. Years ended December 31, 2017	2016
Revenue	$ 9,491,687	$ 11,954,771
Profit before income tax	1,939,305	1,688,479
Income tax expense	(398,591)	(338,235)
Profit for the period	1,540,714	1,350,244
Other comprehensive income for the period, net of tax	(39,036)	(130,251)
Total comprehensive income for the period	$ 1,501,678	$ 1,219,993
Comprehensive income attributable to non-controlling interests	$ 510,075	$ 414,395

	Hotai Leasing Co., Ltd. Years ended December 31, 2017	2016
Revenue	$ 15,248,197	$ 15,764,318
Profit before income tax	648,857	574,792
Income tax expense	(138,279)	(124,216)
Profit for the period	510,578	450,576
Other comprehensive loss for the period, net of tax	(11,393)	(57,956)
Total comprehensive income for the period	$ 499,185	$ 392,620
Comprehensive income attributable to non-controlling interests	$ 169,513	$ 133,326

Statements of cash flows

	Hotai Finance Co., Ltd. Years ended December 31, 2017	2016
Net cash used in operating activities	($ 10,801,276)	($ 5,405,576)
Net cash used in investing activities	(865,454)	(874,020)
Net cash provided by financing activities	11,942,719	6,269,644
Net effect of changes in foreign currency exchange rates	15,486	(39,472)
Increase (decrease) in cash and cash equivalents	291,475	(49,424)
Cash and cash equivalents, beginning of period	472,262	521,686
Cash and cash equivalents, end of period	$ 763,737	$ 472,262

	Hotai Leasing Co., Ltd.	
	Years ended December 31,	
	2017	2016
Net cash provided by operating activities	$ 11,304,146	$ 11,618,621
Net cash used in investing activities	(12,471,405)	(10,945,226)
Net cash provided by (used in) financing activities	1,123,544	(732,488)
Decrease in cash and cash equivalents	(43,715)	(59,093)
Cash and cash equivalents, beginning of period	197,106	256,199
Cash and cash equivalents, end of period	$ 153,391	$ 197,106

(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 recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. When derecognizing 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 recognized, 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 directly.

(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 recognized and reversed by adjusting the carrying amount of the asset directly.

(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) Inventories

Inventories are stated at the lower of cost and net realizable value. Except for the cost of inventories of Ho Tai Development Co., Ltd. which is determined using the weighted-average method, the cost of inventories of all other entities in the group is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(16) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(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	2 ～ 10 years
Rental assets	2 ～ 8 years
Leasehold improvements	1 ～ 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 5～50 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. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

C. 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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. 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.

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. Provision for reserve is also applicable for assumed reinsurance and ceded reinsurance business, but is not applicable for special reserve and liability adequacy reserve.

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. 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.

(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 conditioners 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) Business combinations

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

	December 31, 2017	December 31, 2016
Cash on hand and revolving funds	$ 15,516	$ 10,981
Checking accounts and demand deposits	5,932,295	4,450,256
Cash equivalents		
Time deposits	1,373,452	780,306
Short-term notes and bills	7,720,413	6,782,972
	$ 15,041,676	$ 12,024,515

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. As of December 31, 2017 and 2016, the Group, presented its long-term time deposits of $2,960,646 and $297,740 under other financial assets.

C. Of the short-term notes held by the Group 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).

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

	December 31, 2017	December 31, 2016
Current items:		
Financial assets held for trading		
Domestic open-ended quasi money market fund	$ 753,692	$ 4,584,120
Non-hedging derivative instruments	7,714	126,282
Valuation adjustment	3,515	3,667
	$ 764,921	$ 4,714,069
Financial liabilities held for trading		
Non-hedging derivative instruments	($ 96,003)	$ -

A. The Group recognized net (loss) gain of ($179,370) and $83,359 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

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

	December 31, 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 286,300	2017.10.6 ~2018.3.14	USD 252,300	2016.10.17 ~2017.3.14
Foreign exchange swap contracts	USD 26,800	2017.11.16 ~2018.2.27		

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

	December 31, 2017	December 31, 2016
Current items:		
Exchange traded funds	$ 793,621	$ -
Listed stocks	500,207	
Government bonds	200,256	-
Financial products	95,943	-
Financial bills	50,169	-
Foreign corporate and financial bonds	23,834	-
	1,664,030	-
Valuation adjustment of available-for-sale financial assets	105,024	-
Less: Operating bonds	(152,100)	-
	$ 1,616,954	$ -
Non-current items:		
Government bonds	$ 1,954,278	$ -
Domestic corporate bonds	1,381,828	-
Foreign corporate and financial bonds	882,883	-
Financial bills	649,522	-
Listed stocks and unlisted stocks	336,620	337,207
	5,205,131	337,207
Valuation adjustment of available-for-sale financial assets	565,186	490,005
Less: Operating bonds	(148,200)	-
	$ 5,622,117	$ 827,212

A. The Group recognized gain of $42,975 and $20,345 in other comprehensive income for fair value change for the years ended December 31, 2017, and 2016, respectively.

B. Hotai Insurance Co., Ltd. recognized interest income of $79,711 on available-for-sale financial assets for the year ended December 31, 2017.

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 December 31, 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

	December 31, 2017	December 31, 2016
Current items:		
Derivative financial assets for hedging - current		
Cross currency swaps-cash flow hedges	$ -	$ 95,231
Derivative financial liabilities for hedging - current		
Cross currency swaps-cash flow hedges	($ 403,699)	($ 56,072)

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

Hedged items	Designated as hedging instruments: Derivative instruments designated as hedges	Designated as hedging instruments: Fair value December 31, 2017	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss
Short-term loans	Cross currency swaps	($ 403,699)	2015.4~2020.3	2015~2020

Hedged items	Designated as hedging instruments: Derivative instruments designated as hedges	Designated as hedging instruments: 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

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

(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in other comprehensive income as of December 31, 2017 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.

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

Items	Years ended December 31, 2017	Years ended December 31, 2016
Amount of gain or loss adjusted in other comprehensive income	($ 22,335)	($ 11,839)
Amount of gain or loss transferred from other comprehensive income to profit or loss	(23,427)	7,438

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

	December 31, 2017	December 31, 2016
Notes receivable	$ 1,811,064	$ 1,421,599
Installment notes receivable	7,149,348	8,367,338
Accounts receivable	5,922,968	5,099,823
Installment accounts receivable	88,418,262	78,483,442
Lease payments and notes receivable	16,199,000	8,749,444
Premiums receivable	382,366	-
Overdue receivable	22,228	-
	119,905,236	102,121,646
Less: Unrealized interest income	(9,939,974)	(7,979,097)
Allowance for doubtful accounts	(1,658,679)	(1,302,284)
Notes and accounts receivable, net	$ 108,306,583	$ 92,840,265

As of December 31, 2017 and 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 $5,715,284 and $6,879,557, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to $1,784,190 and $2,380,397 as of December 31, 2017 and 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:

	December 31, 2017	December 31, 2016
Up to 12 months	$ 39,027,733	$ 36,366,647
Over 12 months	56,539,877	50,484,133
	$ 95,567,610	$ 86,850,780

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

As of December 31, 2017 and 2016, the Group's movements in the provision for impairment of accounts receivable wherein impairment has been recognized are as follows:

	Years ended December 31,	
	2017	2016
At January 1	$ 1,302,284	$ 1,168,514
Acquired from business combinations	23,479	-
Provisions during the period	1,225,319	874,581
Write-offs during the period	(890,894)	(727,486)
Others	(1,509)	(13,325)
At December 31	$ 1,658,679	$ 1,302,284

D. The Group leases office machines and vehicles to others under finance lease. Based on the terms of the lease contracts, the ownership of these assets shall be transferred to the lessees when the leases expire. The gross investments in those leases and present value of total minimum lease payments receivable as of December 31, 2017 and 2016 were as follows:

	December 31, 2017		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 9,707,499	($ 1,100,934)	$ 8,606,565
Later than one year but not later than five years	6,491,363	(800,039)	5,691,324
Over five years	138	-	138
	$ 16,199,000	($ 1,900,973)	$ 14,298,027

	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

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 the Group 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:

	December 31, 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	$7,720,413	$ -	$ 7,720,413	$ -	$7,720,413	$ -

December 31, 2016						
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	$6,782,972	$ -	$ 6,782,972	$ -	$6,782,972	$ -

(7) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	$ 2,932,147	($ 69,660)	$ 2,862,487
Air conditioner and parts	2,240,281	(370,186)	1,870,095
Other goods	128,199	(7,226)	120,973
Inventory in transit	2,356,380	-	2,356,380
	$ 7,657,007	($ 447,072)	$ 7,209,935

	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

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

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

	Years ended December 31,	
	2017	2016
Cost of goods sold	$ 137,704,890	$ 137,575,647
Loss on market value decline of inventories	93,660	58,726
	$ 137,798,550	$ 137,634,373

(8) Prepayments

	December 31, 2017	December 31, 2016
Deferred commissions expense	$ 2,424,926	$ 2,234,216
Prepayments to suppliers	1,526,274	2,475,509
Offset against business tax payble	960,070	860,799
Prepaid insurance premiums	547,038	484,528
Other prepayments	1,220,355	1,414,301
	$ 6,678,663	$ 7,469,353

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	December 31, 2017
Claims recoverable from reinsurers	$ 38,905
Due from reinsurance and ceding companies	128,090
Reinsurance reserve assets	
-Ceded unearned premium reserve	618,021
-Ceded claims reserve	684,194
Due from reinsurance and ceding companies-overdue	7,911
	1,477,121
Less: Allowance for bad debts	(8,681)
	$ 1,468,440

As of December 31, 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:

	Year ended December 31, 2017
Acquired from business combinations	$ 3,332
Provisions during the period	5,349
At December 31	$ 8,681

For the year ended December 31, 2016, the Group had no allowance for bad debts of reinsurance contract assets.

C. Details of insurance liabilities are as follows:

	December 31, 2017
Unearned premium reserve	$ 2,850,169
Claims reserve	2,398,727
Special reserve	1,895,550
	$ 7,144,446

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

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

	Year ended December 31, 2017		
	Gross amount	Ceded amount	Net amount
Acquired from business combinations	$ 1,952,197	$ 488,996	$ 1,463,201
Provision during the period	2,850,169	618,021	2,232,148
Recovery during the period	(1,952,197)	(488,996)	(1,463,201)
At December 31	$ 2,850,169	$ 618,021	$ 2,232,148

For the year ended December 31, 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 December 31, 2017, details of claims reserve and ceded claims reserve are as follows:

	December 31, 2017		
	Gross amount	Ceded amount	Net amount
Reported but not paid	$ 1,494,241	$ 456,181	$ 1,038,060
Incurred but not reported	904,486	228,013	676,473
	$ 2,398,727	$ 684,194	$ 1,714,533

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

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

	Year ended December 31, 2017		
	Gross amount	Ceded amount	Net amount
Acquired from business combinations	$ 2,449,737	$ 892,662	$ 1,557,075
Provision during the period	2,398,727	684,194	1,714,533
Recovery during the period	(2,449,737)	(892,662)	(1,557,075)
At December 31	$ 2,398,727	$ 684,194	$ 1,714,533

For the year ended December 31, 2016, the Group had no claims reserve and ceded claims reserve.

F. Movement of special reserve is as follows:

	Year ended December 31, 2017
Acquired from business combinations	$ 1,853,583
Provision during the period	43,491
Recovery during the period	(1,524)
At December 31	$ 1,895,550

For the year ended December 31, 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:

	December 31, 2017
Decrease in special reserve under liability	$ 385,762
Increase in special reserve under retained earnings	320,183

	Year ended December 31, 2017
Increase (decrease) in net loss (income) before tax	$ 1,524
Increase (decrease) in earnings (losses) per share before tax	-

As of December 31, 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 year ended December 31, 2017.

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

	December 31, 2017
Decrease in special reserve under liability	$ 223,894
Increase in special reserve under retained earnings	185,832

As of December 31, 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 year ended December 31, 2017.

(10) Investments accounted for using equity method

	December 31, 2017	December 31, 2016
Kuozui Motors, Ltd.	$ 4,609,218	$ 4,396,283
Central Motor Co., Ltd.	2,448,865	2,408,428
Tau Miau Motor Co., Ltd.	1,386,398	1,406,260
Kau Du Automobile Co., Ltd.	1,319,043	1,331,838
Kuotu Motor Co., Ltd.	948,238	914,894
Taipei Toyota Motor Co., Ltd.	916,027	918,227
Nan Du Motor Co., Ltd.	893,335	870,861
Lang Yang Toyota Motor Co., Ltd.	281,434	282,242
Formosa Flexible Packaging Corp.	273,757	263,309
Shi-Ho Screw Industrial Co., Ltd.	131,622	131,726
Yokohama Tire Taiwan Co., Ltd., etc.	1,271,890	872,806
	$ 14,479,827	$ 13,796,874

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

As of December 31, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to $14,479,827 and $13,796,874, respectively.

	Years ended December 31,	
	2017	2016
Comprehensive income for the period	$ 5,670,808	$ 8,795,715

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to $1,556,292 and $2,467,474 for the years ended December 31, 2017 and 2016, respectively, and were valued based on the investees' financial statements audited 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.

D. In November, 2017, the Group proportionately participated in the capital increase of Jinzhong Central Toyota Motor Sale Service Co., Ltd. at cash of $31,765.

(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
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	36,494	2,059	181,600	30,227	12,867,793	91,287	145,365	13,372,411
Acquired from business combinations	643,509	68,245	-	85,420	3,826	5,711	15,531	-	822,242
Disposals	(1,675)	(1,054)	-	(32,145)	(171)	(4,979,596)	(793)	-	(5,015,434)
Reclassifications	33,041	272,842	-	28,352	6,904	121,294	17,457	(318,186)	161,704
Depreciation	-	(146,278)	(910)	(156,641)	(28,295)	(7,434,799)	(63,296)	-	(7,830,219)
Provision for loss on rental assets	-	-	-	-	-	(172,614)	-	-	(172,614)
Net exchange differences	-	(11,403)	12	(2,040)	(455)	(36,497)	(125)	-	(50,508)
Closing net book amount	$ 5,947,131	$ 2,604,204	$ 4,861	$ 475,013	$ 132,161	$ 25,509,998	$ 242,958	$ 77,433	$ 34,993,759
At December 31, 2017									
Cost	$ 4,628,014	$ 4,301,177	$ 138,212	$ 1,501,043	$ 366,066	$ 39,032,620	$ 655,849	$ 77,433	$ 50,700,414
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(1,709,052)	(133,351)	(1,026,030)	(233,905)	(13,522,622)	(412,891)	-	(17,064,701)
	$ 5,947,131	$ 2,604,204	$ 4,861	$ 475,013	$ 132,161	$ 25,509,998	$ 242,958	$ 77,433	$ 34,993,759

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

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

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

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
2017			
Opening net book amount	$ 649,829	$ 262,429	$ 912,258
Acquired from business combinations	923,163	52,343	975,506
Reclassifications	(33,041)	20,231	(12,810)
Depreciation	-	(17,232)	(17,232)
Closing net book amount	$ 1,539,951	$ 317,711	$ 1,857,722
At December 31, 2017			
Cost	$ 1,212,157	$ 634,963	$ 1,847,120
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(317,192)	(317,192)
	$ 1,539,951	$ 317,771	$ 1,857,722

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

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

	Years ended December 31,	
	2017	2016
Rental income from investment property	$ 135,513	$ 109,370
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	$ 26,723	$ 9,177

B. The fair value of the investment property held by the Group was $2,172,572 and $1,311,099 as of December 31, 2017 and 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	-	-	35,857	35,857
Amortization	-	(16,838)	(16,455)	(33,293)
At December 31	$ 662,323	$ 510,268	$ 36,401	$ 1,208,992
At December 31, 2017				
Cost	$ 662,323	$ 527,106	$ 100,141	$ 1,289,570
Accumulated amortization and impairment	-	(16,838)	(63,740)	(80,578)
	$ 662,323	$ 510,268	$ 36,401	$ 1,208,992

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

Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2017	2016
Administrative expenses	$ 33,293	$ -

(14) Other assets

	December 31, 2017	December 31, 2016
Long-term accounts receivable	$ 446,545	$ 420,355
Land use right	313,134	236,501
Operating bonds	300,300	-
Guarantee deposits paid	247,745	174,052
Prepayments for business facilities	543,203	93,608
Other	210,424	131,417
	$ 2,061,351	$ 1,055,933

(15) Short-term loans

Type of loans	December 31, 2017	December 31, 2016
Bank loans		
Unsecured loans	$ 31,764,823	$ 30,210,478
Mortgage loans	2,015,000	4,850,000
Mid-term syndicated loans for working capital	2,964,212	3,377,874
	$ 36,744,035	$ 38,438,352
Annual interest rate	0.75%~5.1%	0.75%~4.96%

As of December 31, 2017 and 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

	December 31, 2017	December 31, 2016
Commercial paper payable	$ 55,120,000	$ 47,130,000
Less: Unamortized discount	(28,725)	(31,389)
	$ 55,091,275	$ 47,098,611
Annual interest rate	0.57%~1.53%	0.60%~1.54%

(17) Bonds payable

	December 31, 2017	December 31, 2016
Bonds payable	$ 2,800,000	$ 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 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.

B. 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.

(18) Long-term loans

	December 31, 2017	December 31, 2016
Unsecured loans	$ 6,765,565	$ 3,457,972
Mortgage loans	100,000	350,000
Commercial papers payable	5,850,000	4,500,000
Less: Unamortized discount	(6,553)	(6,149)
	12,709,012	8,301,823
Less: Current portion	(1,671,849)	(3,338,562)
	$ 11,037,163	$ 4,963,261
Loans interest rate range	0.92%~5.91%	0.92%~8.82%

As of December 31, 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	$ 1,672,815
1 to 2 years	3,950,413
2 to 3 years	7,092,337
	$ 12,715,565

(19) Accrued expenses

	December 31, 2017	December 31, 2016
Wages and salaries payable	$ 1,539,870	$ 1,442,861
Dealer bonus payable	746,231	579,626
Remuneration payable to employees	474,364	433,353
Remuneration payable to directors	242,514	252,338
Interest payable	162,974	115,455
Others	1,638,861	1,014,594
	$ 4,804,814	$ 3,838,227

(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 $4,328 and $0 for the years ended December 31, 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 years ended December 31, 2017 and 2016, were $241,456 and $211,171, 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	-	986,141	986,141
Used during the period	(22,423)	(933,368)	(955,791)
Unused amounts reversed during the period	-	(41,816)	(41,816)
At December 31, 2017	$ -	$ 2,328,294	$ 2,328,294

Analysis of provision for warranty is as follows:

	December 31, 2017	December 31, 2016
Current (shown as other current liabilities)	$ 1,093,182	$ 1,101,965
Non-current	$ 1,235,112	$ 1,215,372

A. 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.

B. On September 27, 2017, the Board of Directors of the Group's subsidiary, Hotai Insurance Co., Ltd., at their meeting resolved to settle the defined benefit liability, which generated the settlement benefit in the current year. The Group entered into a settlement agreement of defined benefit liability with employees effective from November 1, 2017.

(22) Guarantee deposits received

	December 31, 2017	December 31, 2016
Deposits received for car rentals	$ 11,830,021	$ 11,277,157
Others	28,589	34,478
	$ 11,858,610	$ 11,311,635

(23) Share capital

As of December 31, 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 December 31, 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 Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(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. On March 27, 2018, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2017 was $6,554,150 with $12 (in dollars) per share.

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

(26) Interest income

	Years ended December 31, 2017	2016
Installment revenue	$ 4,356,896	$ 3,654,690
Interest from deposits and short-term notes	131,174	119,774
Investment income	79,711	-
	$ 4,567,781	$ 3,774,464

(27) Premium

Details of premium are as follows:

	Years ended December 31, 2017	2016
Written premium	$ 4,716,617	$ -
Reinsurance premium	360,195	-
Less: Reinsurance expense	(1,115,520)	-
Net change in unearned premiums reserve	(768,948)	-
	$ 3,192,344	$ -

(28) Expenses by nature

	Years ended December 31, 2017	2016
Employee benefit expense	$ 6,837,922	$ 5,707,417
Depreciation	7,847,451	8,320,543
Amortization	62,092	17,216
	$ 14,747,465	$ 14,045,176

(29) Employee benefit expense

	Years ended December 31, 2017	2016
Wages and salaries	$ 5,837,828	$ 4,875,730
Labor and health insurance fees	421,580	331,763
Pension costs	245,784	211,171
Other personnel expenses	332,730	288,753
	$ 6,837,922	$ 5,707,417

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 years ended December 31, 2017 and 2016, employees’ remuneration was accrued at $121,257 and $126,169, respectively; while directors’ remuneration was accrued at $242,514 and $252,338, 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 year ended December 31, 2017. The employees’ remuneration and directors’ remuneration resolved by the Board of Directors were $121,257 and $242,514 on March 27, 2018, and the employees’ remuneration will be distributed in cash.

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:

	Years ended December 31, 2017	Years ended December 31, 2016
Current tax:		
Current tax expense recognized in the current period	$ 2,314,244	$ 2,039,928
Additional 10% surtax on undistributed earnings	397,714	296,035
Prior year income tax overestimation	(6,618)	(11,546)
Total current tax	2,705,340	2,324,417
Deferred tax:		
Origination and reversal of temporary differences	14,107	164,069
Total deferred tax	14,107	164,069
Income tax expense	$ 2,719,447	$ 2,488,486

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

	Years ended December 31, 2017	Years ended December 31, 2016
Cash flow hedges	$ 3,797	$ 1,394
Unrealized gains on available-for-sale financial assets	($ 925)	$ -

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2017	Years ended December 31, 2016
Income tax expense at the statutory rate (Note)	$ 3,326,316	$ 2,972,444
Effects from adjustments based on regulation	(997,965)	(768,447)
Additional 10% surtax on undistributed earnings	397,714	296,035
Prior year income tax overestimation	(6,618)	(11,546)
Income tax expense	$ 2,719,447	$ 2,488,486

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	Year ended December 31, 2017				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquired from business combinations	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory obsolescence	$ 59,879	$ 16,367	$ -	$ -	$ 76,246
Provision for after-sales service	264,581	(6,945)	-	-	257,636
Bad debt expense	234,297	78,733	-	3,297	316,327
Provision of allowance for loss on rental assets	15,134	30,026	-	-	45,160
Loss carryforward	147,155	(116,039)	-	52,794	83,910
Others	140,981	67,285	2,872	8,671	219,809
	862,027	69,427	2,872	64,762	999,088
-Deferred tax liabilities:					
Land value increment tax	(544,824)	-	-	(171,507)	(716,331)
Gain on investments accounted for using equity method	(337,169)	(119,563)	-	-	(456,732)
Difference between finance and tax due to depreciation	(1,004,522)	34,993	-	-	(969,529)
Others	(18,899)	1,036	-	-	(17,863)
	(1,905,414)	(83,534)	-	(171,507)	(2,160,455)
	($1,043,387)	($ 14,107)	$ 2,872	($ 106,745)	($ 1,161,367)

	Year ended December 31, 2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquired from business combinations	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory obsolescence	$ 49,835	$ 10,044	$ -	$ -	$ 59,879
Provision for after-sales service	281,987	(17,406)	-	-	264,581
Bad debt expense	177,632	56,665	-	-	234,297
Provision of allowance for loss on rental assets	9,168	5,966	-	-	15,134
Loss carryforward	283,038	(135,883)	-	-	147,155
Others	177,716	(38,129)	1,394	-	140,981
	979,376	(118,743)	1,394	-	862,027
-Deferred tax liabilities:					
Land value increment tax	(544,824)	-	-	-	(544,824)
Gain on investments accounted for using equity method	(247,977)	(89,192)	-	-	(337,169)
Difference between finance and tax due to depreciation	(1,036,230)	31,708	-	-	(1,004,522)
Others	(31,057)	12,158	-	-	(18,899)
	(1,860,088)	(45,326)	-	-	(1,905,414)
	($ 880,712)	($ 164,069)	$ 1,394	$ -	($ 1,043,387)

D. Expiration dates of unused loss carry forward and amounts of unrecognized deferred tax assets of the Group's subsidiaries, Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd. and Ho Tai Cyber Connection Co., Ltd, are as follows:

December 31, 2017				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2015	$ 9,180	$ 9,180	$ -	2025
2016	359,487	359,487	-	2026
2017	129,089	129,089	4,167	2027

December 31, 2016				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2007	$ 591,848	$ 79,065	$ -	2017
2008	477,444	477,444	-	2018
2011	210,305	210,305	-	2021
2012	89,763	89,763	-	2022
2013	9,033	9,033	-	2023

E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

F. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	December 31, 2016
Earnings generated in and before 1997	$ 1,828,846
Earnings generated in and after 1998	26,245,511
	$ 28,074,357

G. As of December 31, 2016, the balance of the imputation tax credit account was $4,063,805. The creditable tax rate was 19.85% for the year ended December 31, 2016.

(31) Earnings per share

	Year ended December 31, 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	$ 10,115,607	546,179	$ 18.52
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 10,115,607	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	427	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 10,115,607	546,606	$ 18.51

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

(32) Operating leases

A. Lessor

(a) The subsidiaries, Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd., engage in vehicles rental services. Partial collection is advance receipts of notes for rents which expire based on payment terms. As of December 31, 2017 and 2016, the notes receivable collected in advance amounted to $8,273,706 and $8,447,711, respectively. The notes receivable and advance rents are presented at net amount and are not shown in the balance sheet. As of December 31, 2017 and 2016, the amounts of $6,254,167 and $6,725,091 of notes receivable have been pledged as collateral for long-term and short-term bank loans and issuance of commercial papers.

Total future notes receivable for rents are as follows:

	December 31, 2017	December 31, 2016
Up to 1 year	$ 4,798,777	$ 4,900,292
1 to 5 years	3,474,929	3,547,419
	$ 8,273,706	$ 8,447,711

(b) The Group entered into lease agreements with related parties and the third party to lease land and building, the future aggregate minimum lease payments receivable are as follows:

	December 31, 2017	December 31, 2016
Up to 1 year	$ 41,458	$ 95,444
1 to 5 years	31,620	18,309
Over 5 years	2,089	-
	$ 75,167	$ 113,753

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 $641,479 and $553,176 for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases agreements are as follows:

	December 31, 2017	December 31, 2016
Up to 1 year	$ 259,063	$ 288,074
1 to 5 years	414,500	589,743
Over 5 years	207,493	417,887
	$ 881,056	$ 1,295,704

(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 January 2017, the Group acquired 100% equity of Shanghai Inchcape Auto Sales & Service Co., Ltd. for RMB 55,000 thousand and obtained control over Shanghai Inchcape Auto Sales & Service Co., Ltd., which is engaged in sales and services of automobiles of Lexus in Shanghai, was renamed as Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd. in the fourth quarter of 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 in the amounts of $5,154,908 and $18,221, respectively. If Zurich Insurance (Taiwan) Ltd. and Shanghai Inchcape Auto Sales & Service Co., Ltd. were consolidated starting from January 1, 2017, the amounts of operating income and net profit before tax would have been $181,482,383 and $14,283,832, 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 Corporation	Entities controlled by key management
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

Names of related parties	Relationship with the Group
Toyota Motor Manufacturing Turkey Inc.	Entities controlled by key management
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
Central Motor Co ., Ltd. (Central Motor)	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Yokohama Tire Taiwan Co.,Ltd.	Associates
Shi-Ho Screw Industrial Co., Ltd.	Associates
Formosa Flexible Packaging Corp.	Associates
Hozao Enterprise 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
Jinzhong Central Toyota Motor Sale 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
Tung Tai Asset Management Co., Ltd.	Associates
Interface Communications Ltd.	Associates
Zhong Cheng Motors Co., Ltd. (Formerly Hojung Motors Co., Ltd.)	Associates
Hohung Motors Co., Ltd.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates

Names of related parties	Relationship with the Group
Kuai Shun Transportation Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates
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

	Years ended December 31,	
	2017	2016
(a) Interest income:		
-Associates	$ 49,655	$ 50,866

Interest income is the interest between transaction dates and collection dates due to the collection of sales transaction is based on agreed collection period. 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 July 2, 2016. Starting from July 3, 2016, the annual interest rate was adjusted to 2.275%.

	Years ended December 31,	
	2017	2016
(b) Premium:		
-Associates	$ 27,012	$ -
-Entities controlled by key management	383	-
	$ 27,395	$ -

	Years ended December 31,			
	2017		2016	
(c) Sales revenue:				
-Associates				
Central Motor	$	22,869,007	$	23,057,234
Tau Miau		21,333,190		21,113,773
Taipei Motor		17,188,053		16,929,421
Others		49,018,577		47,239,804
-Entities controlled by key management		68,160		56,470
	$	110,476,987	$	108,396,702

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 6 of Note 13(1) significant transactions information.

	Years ended December 31,			
	2017		2016	
(d) Rental revenue:				
-Associates	$	114,121	$	100,820
-Entities controlled by key management		4,685		4,549
	$	118,806	$	105,369

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

	Years ended December 31,			
	2017		2016	
(e) Service revenue				
Service sales:				
-Associates	$	45,476	$	50,807
-Entities controlled by key management		73,864		124,542
Contracted operating revenue:				
-Associates		22,160		25,756
	$	141,500	$	201,105

	Years ended December 31,			
	2017		2016	
(f) Subsidy income for price difference from instalments:				
-Associates	$	381,154	$	315,990

	Years ended December 31,	
	2017	2016
(g) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	$ 213,936	$ 333,866
-Entities controlled by key management		
TMAP	638,244	518,175
Others	2,130	4,230
	$ 854,310	$ 856,271

	Years ended December 31,	
	2017	2016
(h) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates	$ 192,790	$ 205,429
-Entities controlled by key management	53,836	89,623
	$ 246,626	$ 295,052

	Years ended December 31,	
	2017	2016
(i) Distribution income (shown as deductions to freight):		
-Associates	$ 29,503	$ 34,968

	Years ended December 31,	
	2017	2016
(i) Miscellaneous income:		
-Associates		
Kuotu	$ 121,398	$ 136,279
Others	181,738	195,832
-Entities controlled by key management	63,096	55,626
	$ 366,232	$ 387,737

B. Expenditures

	Years ended December 31,	
(a) Interest expense:	2017	2016
-Associates	$ 17,057	$ 21,093

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. 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 July 2, 2016. Starting from July 3, 2016, the annual interest rate was adjusted to 1.875%.

(b) Purchases of goods:	Years ended December 31, 2017	Years ended December 31, 2016
-Associates		
Kuozui	$ 47,578,481	$ 52,817,429
Others	30,581,375	29,828,113
-Entities controlled by key management		
TMC	34,435,637	34,867,033
Others	14,506,590	11,607,814
	$ 127,102,083	$ 129,120,389

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 6 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 6 of Note 13(1) Significant transactions information.

	Years ended December 31, 2017	Years ended December 31, 2016
(c) Rental expense:		
-Associates	$ 7,596	$ 18,071
-Entities controlled by key management	4,557	-
	$ 12,153	$ 18,071

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.

	Years ended December 31, 2017	Years ended December 31, 2016
(d) Warranty cost:		
-Associates		
Central Motor	$ 156,611	$ 144,189
Tau Miau	146,945	132,174
Kuotu	122,001	127,775
Nan Du	93,278	72,692
Kau Du	95,527	80,670
Others	91,191	81,197
-Entities controlled by key management	1,811	131
	$ 707,364	$ 638,828

	Years ended December 31, 2017	Years ended December 31, 2016
(e) Advertisement expense:		
-Associates	$ 18,134	$ 23,941
-Entities controlled by key management	5,190	3,625
	$ 23,324	$ 27,566

	Years ended December 31, 2017	Years ended December 31, 2016
(f) Freight:		
-Associates		
Fan Tai	$ 108,935	$ -
Yi Tai	58,697	-
Others	3,867	-
	$ 171,499	$ -

	Years ended December 31, 2017	Years ended December 31, 2016
(g) Insurance claim payment:		
-Associates	$ 11,413	$ -
-Entities controlled by key management	1	-
	$ 11,414	$ -

	Years ended December 31, 2017	Years ended December 31, 2016
(h) Commission expense:		
-Entities controlled by key management	$ 313,968	$ -

C. Receivables from (payables to) related parties

	December 31, 2017	December 31, 2016
(a) Receivables from related parties:		
-Associates	$ 2,972,592	$ 2,084,927
-Entities controlled by key management	7,210	8,178
	$ 2,979,802	$ 2,093,105

	December 31, 2017	December 31, 2016
(b) Other receivables from related parties:		
-Associates	$ 303,957	$ 162,462
-Entities controlled by key management	6,190	14,034
	$ 310,147	$ 176,496

	December 31, 2017	December 31, 2016
(c) Accounts payable:		
-Associates	$ 1,106,638	$ 1,665,666
-Entities controlled by key management		
TMC	4,273,475	4,023,207
Others	402,113	414,680
	$ 5,782,226	$ 6,103,553

	December 31, 2017	December 31, 2016
(d) Accrued expenses:		
-Associates	$ 396,566	$ 229,062
-Entities controlled by key management	598	172
	$ 397,164	$ 229,234

	December 31, 2017	December 31, 2016
(e) Commissions payable:		
-Entities controlled by key management		
Ho An	$ 32,400	$ -

D. Property transactions

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

	Years ended December 31,	
	2017	2016
-Associates		
Kuotu	$ 1,422,110	$ 1,063,572
Taipei Motor	1,395,017	1,307,233
Kau Du	888,715	735,038
Tau Miau	881,651	893,996
Central Motor	796,656	837,637
Nan Du	444,494	595,541
Others	501,693	84,557
-Entities controlled by key management	18,485	-
	$ 6,348,821	$ 5,517,574

(b)Acquisition of other assets:

	Accounts	Year ended December 31, 2017 Consideration
-Entities controlled by key management		
Ho Yu	Available-for-sale financial assets - non-current	$ 31

For the year ended December 31, 2016, the Group did not acquire other assets from related parties.

(c) Disposal of other assets:

For the year ended December 31, 2017, there was no disposal of investments accounted for using equity method.

		Year ended December 31	
	Accounts	Disposal proceeds	Gain (loss) on disposal
Associates	Investment accounted for using equity method	$ 144,439	($ 1,187)

(3) Key management remuneration

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 356,124	$ 349,879
Post-employment benefits	1,216	-
	$ 357,340	$ 349,879

8. PLEDGED ASSETS

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

Pledged asset	December 31, 2017	December 31, 2016	Purpose
Notes and accounts receivable	$ 7,499,474	$ 9,259,954	Short-term borrowings and commercial papers payable
Available-for-sale financial assets	300,300	-	Operating bonds
Restricted assets (Note 1)	75,069	95,022	
-Demand and time deposits			Short-term borrowings, performance guarantee and issuance of L/C (Note 2)
Property, plant and equipment			
-Land	-	98,900	Short-term borrowings
-Buildings and structures	-	37,777	Short-term borrowings
	$ 7,874,843	$ 9,491,653	
Transactions not listed in the balance sheet			
-Notes receivable for rent	$ 6,254,167	$ 6,725,091	Long-term and short-term borrowings 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 December 31, 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 accessories of Toyota and Hino in Taiwan.

Type of contracts	Party involved	Contract period	Main contents
Distributor agreement	Hino Motors, Ltd.	April 1, 2016 to March 31, 2021 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
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.

(3)To meet its operational requirement, the Group's subsidiary, Hotai Leasing Co., Ltd., acquired the land located in Wugu Dist., New Taipei City as resolved by the Board of Directors in December, 2017 amounting to $1,380,000. As of December 31, 2017, Hotai Leasing Co., Ltd. has paid $207,000 in advance for the transaction.

(4)To develop the Group's business, the Group's second-tier subsidiary, Shanghai Ho-Mian Motor Technology Co., Ltd., acquired the headquarter building as resolved by the Board of Directors in December,2017 amounting to RMB 215,845 thousand. As of December 31, 2017, Shanghai Ho-Mian Motor Technology Co., Ltd. has paid RMB 61,253 thousand in advance for this transaction.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the appropriation of retained earnings of 2017, please refer to Note 6(25).

(2)The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018 effective from January 1, 2018 of which are significant to the Company as follows:

A. Under the amendments, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase both the Company's deferred tax assets and deferred tax liabilities by 3% as of December 31, 2017, and increase current income tax expense accordingly.

B. Under the amendments to the Income Tax Act, the imputation tax system will be abolished and the imputation credit account will be adjusted to zero beginning January 1, 2018.

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:

	December 31, 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	26,460	29.7600	$ 787,450	USD	6,189	32.2500	$ 199,595
JPY:NTD	JPY	301,587	0.2642	79,679	JPY	143,388	0.2756	39,518
RMB:NTD	CNY	14,072	4.5700	64,309	CNY	7,753	4.6406	35,979
Financial liabilities								
Monetary items								
USD:NTD	USD	333,485	29.7600	$ 9,924,514	USD	320,414	32.2500	$ 10,333,352
JPY:NTD	JPY	3,180,120	0.2642	840,188	JPY	3,164,471	0.2756	872,128
USD:RMB (Note)	USD	94,950	6.5120	2,825,712	USD	15,000	6.9495	483,750

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 years ended December 31, 2017 and 2016, amounted to $312,734 and ($6,326) respectively.

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

	Year ended December 31, 2017			Year ended December 31, 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%	$ 7,874	$ -	1%	$ 1,996	$ -
JPY:NTD	1%	797	-	1%	395	-
RMB:NTD	1%	643	-	1%	360	-
Financial liabilities						
Monetary items						
USD:NTD	1%	99,245	-	1%	103,334	-
JPY:NTD	1%	8,402	-	1%	8,721	-
USD:RMB (Note)	1%	28,257	-	1%	4,838	-

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 $964,652 higher/lower.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal ratings are accepted.

ii. For the years ended December 31, 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 December 31, 2017 and 2016, HFC has financial instruments with off-balance-sheet credit risk amounting to $9,308,727 and $10,687,846, 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 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. As of December 31, 2017 and 2016, the Group's unused credit line amounted to $13,855,602 and $13,344,547, respectively.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2017

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 35,099,114	$ 600,000	$ 1,044,921
Short-term notes and bills payable	55,091,275	-	-
Notes payable	202,209	-	-
Accounts payable	10,501,308	-	-
Accrued expenses	4,804,814	-	-
Other payables	1,227,628	-	-
Bonds payable	-	-	2,800,000
Long-term loans (including current portion)	1,672,815	3,950,413	7,092,337

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	1,339,748	-	-
Bonds payable	1,000,000	-	-
Long-term loans (including current portion)	3,340,272	1,700,357	3,267,343

Derivative financial liabilities:

December 31, 2017

	Up to 1 year	1 to 2 years	2 to 3 years
Cross currency swaps	$ 334,581	$ 10,245	$ 58,873
Forward exchange contracts	96,003	-	-

Derivative financial liabilities:
December 31, 2016

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

(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 December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 757,207	$ -	$ -	$ 757,207
Forward exchange swap contracts	-	7,714	-	7,714
Available-for-sale financial assets				
Bond investment (Note)	-	5,176,511	-	5,176,511
Exchange traded funds	888,947	-	-	888,947
Beneficiary certificates	796,282	-	281,388	1,077,670
Financial instruments	-	95,943	-	95,943
	$ 2,442,436	$ 5,280,168	$ 281,388	$ 8,003,992
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 96,003	$ -	$ 96,003
Derivative financial liabilities for hedging	-	403,699	-	403,699
	$ -	$ 499,702	$ -	$ 499,702

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				
Beneficiary 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				
Beneficiary certificates	563,790	-	263,422	827,212
	$ 5,151,577	$ 221,513	$ 263,422	$ 5,636,512
Liabilities				
Recurring fair value measurements				
Derivative financial liabilities for hedging	$ -	$ 56,072	$ -	$ 56,072

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 years ended December 31, 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 years ended December 31, 2017 and 2016:

	2017	2016
	Equity securities	Equity securities
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	17,935	(13,768)
At December 31	$ 281,388	$ 263,422

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 December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 281,388	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.

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 December 31, 2017 and 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) <u>Risk Reporting and Measurement System</u>

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) <u>Insurance Risk and Underwriting Guidelines</u>

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) <u>Total Risk Profiling and Insurance Risk Management</u>

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	December 31, 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) <u>Credit risk, liquidity risk and market risk of insurance contract</u>

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 December 31, 2017, except for government bonds, investments in fixed income assets shown by issuer's credit rating level are as follows:

December 31, 2017

Credit rating levels (Taiwan Ratings)	Book Value	Percentage
tw AAA	$ 433,685	17%
tw AA+	147,845	6%
tw AA	301,776	12%
tw AA-	928,850	37%
tw A+	476,092	19%
tw A	192,956	8%
tw A-	18,847	1%
Total	$ 2,500,051	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 years ended December 31, 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):

Year ended December 31, 2017

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	$ 2,570	-
AA	3,388	-
AA-	470,223	50%
A+	205,139	22%
A	17,416	2%
A-	6,944	1%
BBB+	1,703	-
Unrated	236,963	25%
Total	$ 944,346	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:

December 31, 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	$ 2,226,345	$ -	$ -	$ -	$ -	$ 2,226,345
Receivables	492,197	-	19,182	3,298	19,361	495,316
Financial assets at fair value through profit or loss	7,714					7,714
Available-for-sale financial assets (Note)	6,074,572	-	-	-	-	6,074,572
Other financial assets	1,552,988	-	-	-	-	1,552,988
Reinsurance contract assets	1,469,210	-	-	7,910	8,681	1,468,439
Refundable deposits	53,688	-	-	-	-	53,688
Total	11,876,714	-	19,182	11,208	28,042	11,879,062

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 December 31, 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

	Contractual undiscounted cash flows			
December 31, 2017	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	over 10 years
Insurance liabilities	$ 3,794,594	$ 1,326,002	$ 118,525	$ 1,905,326
Payables	770,876	-	-	-
Deposits-in	2,553	1,549	390	-

ii. Derivatives

	Contractual undiscounted cash flows			
December 31, 2017	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Derivatives settled by net amount	$ -	$ -	$ -	$ -

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 beneficiary 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:

	December 31, 2017			
	Change of variables		Change in equity	
Investment in listed companies' stocks and exchange traded funds	Increase in price	10%	$	139,806
	Decrease in price	10%	(	139,806)

(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:

	December 31, 2017			
	Change of variables		Change in fair value	
Fixed-income investments	Increase in interest rate	100 basis point	($	189,353)
	Decrease in interest rate	100 basis point		189,353

(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:

	December 31, 2017
Foreign exchange rate	29.68

The US dollar assets and liabilities are shown as below:

	December 31, 2017	
USD Assets	USD	32,924,845.49
USD Liabilities	USD	6,785.00

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 December 31, 2017, the hedging ratio is up to 85%, 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:

	December 31, 2017	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	($ 9,067)
	Depreciate 5% against NTD	9,067

(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 December 31, 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 December 31, 2017	
Line of Business	Premiums revenue	Retention premiums
Fire insurance	$ 1,045,408	$ 416,644
Engineering insurance	73,610	8,936

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 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 years ended December 31, 2017 and the result is shown below:

	Year ended December 31, 2017			
	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
Line of Business	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	$ 40,153	$ 38,032	$ 40,153	$ 38,032
Automobile third party liability insurance	30,069	29,207	30,069	29,207
Personal property insurance	7,115	3,582	7,115	3,582
Commercial property insurance	38,772	15,924	38,772	15,924
Liability insurance	21,600	16,715	21,600	16,715
Marine cargo insurance	7,320	6,364	7,320	6,364
Engineering insurance	5,334	863	5,334	863
Personal accident insurance	41,012	39,266	41,012	39,266
Health insurance	5,350	4,948	5,350	4,948
Foreign inward reinsurance	1,042	1,010	1,042	1,010

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 year ended December 31, 2017.

C. Loss development pattern

As of December 31, 2017, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows：

(a) Direct business

Unit: NTD

December 31, 2017	Accident Year					
Development Year	≦2013	2014	2015	2016	2017	Total
End of underwriting year	$18,709,422	$ 1,254,746	$ 1,399,479	$ 2,644,742	$ 1,788,662	
One year after underwriting year	18,689,547	1,246,203	1,401,087	2,344,556	-	
Two years after underwriting year	18,590,082	1,169,059	1,395,084	-	-	
Three years after underwriting year	18,733,106	1,162,810	-	-	-	
Four years after underwriting year	18,762,587	-	-	-	-	
Estimated ultimate losses	18,762,587	1,162,810	1,395,084	2,344,556	1,788,662	
Paid losses	(18,389,897)	(1,006,023)	(1,085,570)	(1,958,340)	(824,644)	
Total reserve	$ 372,690	$ 156,787	$ 309,514	$ 386,216	$ 964,018	$ 2,189,225
Adjustment item (Note)						209,502
Realized amount in balance sheet						$ 2,398,727

(b) Retention business

Unit: NTD

December 31, 2017	Accident Year					
Development Year	≦2013	2014	2015	2016	2017	Total
End of underwriting year	$11,969,736	$ 1,106,407	$ 1,197,810	$ 1,100,469	$ 1,351,056	
One year after underwriting year	11,927,734	1,127,656	1,216,337	1,112,765	-	
Two years after underwriting year	11,876,106	1,055,804	1,225,395	-	-	
Three years after underwriting year	11,923,948	1,063,895	-	-	-	
Four years after underwriting year	11,942,115	-	-	-	-	
Estimated ultimate losses	11,942,115	1,063,895	1,225,395	1,112,765	1,351,056	
Paid losses	(11,669,947)	(938,031)	(972,872)	(843,369)	(723,981)	
Total reserve	$ 272,168	$ 125,864	$ 252,523	$ 269,396	$ 627,075	$ 1,547,026
Adjustment item (Note)						167,507
Realized amount in balance sheet						$ 1,714,533

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:

December 31, 2017	Book value	Within 12 months	Over 12 months
Assets			
Cash and cash equivalents	$ 2,226,345	$ 2,226,345	$ -
Receivables	495,316	495,316	-
Current income tax assets	5,546	-	5,546
Financial assets at fair value through profit or loss	7,714	7,714	-
Available-for-sale financial assets	5,774,272	1,521,010	4,253,262
Other financial assets	1,552,988	1,358,660	194,328
Investment property	318,958	-	318,958
Reinsurance contract assets	1,468,440	861,401	607,039
Property and equipment	410,179	-	410,179
Intangible assets	38,916	-	38,916
Other assets	424,680	57,925	366,755
Liabilities			
Payables	$ 770,876	$ 770,876	$ -
Insurance liabilities	7,144,446	3,794,594	3,349,852
Other liabilities	61,588	59,649	1,939

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

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 and short-term notes and bills totaling $500,000 and $1,000,000, respectively. As of December 31, 2017, the total amount of investments that Yuanta Funds and FSITC managed on behalf of the subsidiary, Hotai Insurance Co., Ltd., amounted to $457,074 and $947,139, respectively.

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. The ceiling of this commissioned contract is based on the limit stipulated in the regulations. As of December 31, 2017, the total amount of investments that the subsidiary commissioned to JPMorgan was $3,821,270.

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

	For the period from January 17, 2017 to December 31, 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	$ 173,262	$ 108,787	$ 87,284	$ 194,765	$ 8,299	$ 186,466
Elective insurance	4,543,340	251,408	1,028,236	3,766,512	760,649	3,005,863
	4,716,602	360,195	1,115,520	3,961,277	768,948	3,192,329
Discount	15	-	-	15	-	15
	$ 4,716,617	$ 360,195	$ 1,115,520	$ 3,961,292	$ 768.948	$ 3,192,344

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

	For the period from January 17, 2017 to December 31, 2017			
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	$ 136,396	$ 92,942	$ 75,233	$ 154,105
Elective insurance	1,623,187	19,428	482,786	1,159,829
	$ 1,759,583	$ 112,370	$ 558,019	$ 1,313,934

(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:

	December 31, 2017
Assets	
Cash and cash equivalents	$ 1,511,891
Notes receivable	1,708
Premiums receivable	4,589
Claims recoverable from reinsurers	21,230
Due from reinsurance and ceding companies	9,857
Ceded unearned premium reserve	50,872
Ceded claim reserve	47,888
Temporary payments and suspense accounts	161
Total assets	$ 1,648,196
Liabilities	
Claims payable	$ 28,328
Due to reinsurance and ceding companies	10,364
Unearned premium reserve	153,930
Claims reserve	168,675
Special reserve	1,285,893
Temporary payments and suspense accounts	1,006
Total liabilities	$ 1,648,196

As of December 31, 2017, the balance of time deposits included in cash and cash equivalents above with maturity of over one year was $1,461,763, and are recognized in the balance sheet as other financial assets.

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

	For the period from January 17, 2017 to December 31, 2017
Operating revenues	
Written premiums	$ 153,184
Reinsurance premiums	108,787
Less: Reinsurance premiums ceded	(87,284)
Net change in unearned premium reserve	(6,113)
Retention earned premiums	168,574
Interest income	12,291
	$ 180,865
Operating costs	
Claim expenditures	$ 136,396
Reinsurance claim expenditures	92,942
Less: Reinsurance claims recovery	(75,233)
Retention claim expenditures	154,105
Net change in claims reserve	(16,731)
Net change in special reserve	43,491
	$ 180,865

(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 six 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 and January 1, 2016 have been reclassified in accordance with the disclosure of consolidated financial statements of

non-general business and financial statements of insurance business to be comparable with the financial statement presentation as of December 31, 2017.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows:

A. Significant transactions information

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

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

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

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

(e) Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer table 5.

(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 6.

(h) Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 7.

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

The table below listed the derivative instruments undertaken but not yet expired as of December 31, 2017:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 286,300	2018.1.12~2018.3.14	($ 96,003)	($ 96,003)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 26,800	2018.2.27	7,714	7,714
Hotai Finance Co., Ltd.	Cross currency swaps	USD 145,000	2018.4.13~2020.3.13	(353,279)	(353,279)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 3,100,000	2018.9.18	(40,175)	(40,175)
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 5,000	2019.5.10	(10,245)	(10,245)

(j) Significant inter-company transactions during the reporting periods: Please refer to table 8.

B. Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 9.

C. Information on investments in Mainland China

(a) Basic information: Please refer to table 10.

(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 December 31, 2017, the Company’s self-owned capital ratio was 76%.

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

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

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

(2) Measurement of segment information

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

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

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

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

	Year ended December 31, 2017					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 109,864,178	$ 7,171,720	$ 18,512,554	$ 45,705,414	$ -	$ 181,253,866
Inter-segment revenue (Note)	7,976,032	387,261	217,413	6,709,955	(15,290,661)	-
Total segment revenue	$ 117,840,210	$ 7,558,981	$ 18,729,967	$ 52,415,369	($ 15,290,661)	$ 181,253,866
Segment income (loss) (Note)	$ 11,761,938	$ 1,836,316	$ 817,173	$ 5,754,090	($ 5,885,475)	$ 14,284,042
Depreciation and amortization	$ 88,653	$ 291,077	$ 7,164,752	$ 373,296	($ 8,235)	$ 7,909,543
Income tax expense	$ 1,646,331	$ 361,418	$ 173,634	$ 538,064	$ -	$ 2,719,447
Gain on investments accounted for using equity method	$ 4,455,575	$ 67,145	$ 71,271	$ 2,831,149	($ 5,868,848)	$ 1,556,292
Segment assets	$ 61,074,145	$ 91,723,100	$ 46,057,390	$ 62,519,603	($ 54,772,488)	$ 206,601,750
Segment liabilities	$ 14,418,844	$ 82,229,382	$ 40,688,642	$ 15,206,696	($ 817,962)	$ 151,725,602

	Year ended December 31, 2016					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 108,344,659	$ 6,617,871	$ 18,776,984	$ 43,238,717	$ -	$ 176,978,231
Inter-segment revenue (Note)	8,012,279	407,830	496,211	5,815,898	(14,732,218)	-
Total segment revenue	$ 116,356,938	$ 7,025,701	$ 19,273,195	$ 49,054,615	($ 14,732,218)	$ 176,978,231
Segment income (loss) (Note)	$ 12,238,373	$ 1,582,118	$ 581,954	$ 4,843,501	($ 4,698,561)	$ 14,547,385
Depreciation and amortization	$ 86,288	$ 344,008	$ 7,659,474	$ 249,772	($ 1,783)	$ 8,337,759
Income tax expense	$ 1,498,334	$ 310,145	$ 147,233	$ 532,774	$ -	$ 2,488,486
Gain on investments accounted for using equity method	$ 5,008,805	$ 75,930	$ 67,505	$ 2,038,934	($ 4,723,700)	$ 2,467,474
Segment assets	$ 57,323,171	$ 83,797,366	$ 40,190,499	$ 34,911,296	($ 37,045,718)	$ 179,176,614
Segment liabilities	$ 14,216,929	$ 75,225,897	$ 35,848,031	$ 4,185,626	($ 878,958)	$ 128,597,525

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.

(5)Information on products and services

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

Details of revenue balance are as follows:

	Years ended December 31,	
	2017	2016
Sales revenue	$ 154,738,604	$ 153,897,393
Rental revenue	12,864,239	12,870,297
Interest revenue	4,567,781	3,774,464
Premium	3,192,344	-
Others	5,890,898	6,436,077
	$ 181,253,866	$ 176,978,231

(6)Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	$ 161,838,517	$ 51,439,070	$ 159,888,847	$ 45,844,276
Mainland China	19,415,349	3,256,601	17,089,384	3,626,966
	$ 181,253,866	$ 54,695,671	$ 176,978,231	$ 49,471,242

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

(7)Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Segment	Revenue	Segment
A	$22,869,007	Distributor of Toyota and Hino products	$23,057,234	Distributor of Toyota and Hino products
B	21,333,190	"	21,113,773	"
C	17,188,053	"	16,929,421	"

Ho Tai Motor Co., Ltd.

Loans to others

Year ended December 31, 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 year ended December 31, 2017	Balance at December 31, 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		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	$ 201,082	$ 45,700	$ -	2.15%	Short-term financing	-	Operations	$ -	None	$ -	$ 232,289	$ 232,289	
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	228,502	91,400	457	2.15%	〃	-	〃	-	〃	-	364,461	364,461	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	100,541	45,700	-	2.15%	〃	-	〃	-	〃	-	155,925	155,925	
4	Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	91,498	91,400	-	2.15%	〃	-	〃	-	〃	-	286,234	286,234	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	502,705	91,400	45,974	2.15%	〃	-	〃	-	〃	-	375,162	375,162	
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	45,749	45,700	-	2.15%	〃	-	〃	-	〃	-	205,691	205,691	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	292,483	91,400	-	2.15%	〃	-	〃	-	〃	-	250,631	250,631	
8	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	219,362	91,400	15,172	2.15%	〃	-	〃	-	〃	-	250,287	250,287	
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	45,749	45,700	22,759	2.15%	〃	-	〃	-	〃	-	218,336	218,336	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	91,498	91,400	4,250	2.15%	〃	-	〃	-	〃	-	211,688	211,688	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	91,498	91,400	-	2.15%	〃	-	〃	-	〃	-	279,073	279,073	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	〃	〃	91,498	91,400	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	〃	〃	205,652	182,801	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	〃	〃	123,391	114,251	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	〃	〃	68,623	68,550	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	〃	〃	182,802	91,400	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	〃	〃	205,869	205,651	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	182,802	159,951	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	205,652	182,801	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	〃	〃	114,251	91,400	-	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	160,121	159,951	12,110	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	〃	22,874	22,850	17,412	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	〃	〃	137,246	137,101	229	3.35%	〃	-	〃	-	〃	-	3,688,457	7,376,914	
12	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	〃	〃	228,744	228,501	-	3.85%	〃	-	〃	-	〃	-	3,688,457	7,376,914	

Ho Tai Motor Co., Ltd.

Provision of endorsements and guarantees to others

Year ended December 31, 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 December 31, 2017	Outstanding endorsement/ guarantee amount at December 31, 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	$ 13,996,590	$ 921,674	$ 921,674	$ -	$ -	1.98%	$ 23,327,651	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	13,996,590	346,035	148,800	-	-	0.32%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	〃	13,996,590	438,048	339,264	167,934	-	0.73%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	〃	13,996,590	304,200	133,920	-	-	0.29%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	13,996,590	304,200	223,200	-	-	0.48%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	〃	13,996,590	225,675	133,920	-	-	0.29%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	13,996,590	406,215	223,200	-	-	0.48%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	〃	13,996,590	228,150	133,920	-	-	0.29%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	〃	13,996,590	380,250	223,200	-	-	0.48%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	13,996,590	47,018	44,640	-	-	0.10%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	〃	13,996,590	481,440	252,960	-	-	0.54%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	〃	13,996,590	266,433	133,920	-	-	0.29%	23,327,651	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	〃	13,996,590	243,360	238,080	-	-	0.51%	23,327,651	Y	N	Y	〃
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Subsidiary	9,493,718	3,953,872	3,941,920	2,022,510	-	41.52%	9,493,718	Y	N	Y	Note 2
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd.	〃	219,501	30,420	29,760	-	-	4.07%	365,834	Y	N	Y	Note 3

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

Note 2： For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of it's total equity; the limit on edorsement for any single entity is no more than 100% of the Company's total equity.
Net assets value is based on the amount included in the latest filing of financial statements and report of independent accounts.

Note 3： For Toyota Material Handing Taiwan Ltd., the limited on total endorsement is no more than 50% of its total equipty; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.
Net assets value is based on the amount included in the latest filing of financial statements and report of independent accounts.

Ho Tai Motor Co., Ltd.

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

Year ended December 31, 2017

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

Table 3

				As of December 31, 2017				
Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Ho Tai Motor Co., Ltd.	Stock－Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	$ 495,843	0.15%	$ 495,843	
	-Shihlin Electric & Engineering Corporation Etc.	None	〃	-	90,456	0.00%～0.42%	90,456	
	Taian Insurance Co., Ltd. Etc.	-	〃	-	243,265	0.42%～3.10%	243,265	
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	〃	-	500,000	-	500,000	
			Total		$ 1,329,564		$ 1,329,564	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	$ 2,916	0.50%	$ 2,916	
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	404,367	$ 4,140	-	$ 4,155	
			Valuation adjustment of financial assets		15		-	
			Total		$ 4,155		$ 4,155	
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	-	$ 332,253	
			Valuation adjustment of financial assets		2,702		-	
			Total		$ 332,253		$ 332,253	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	$ 3,302	0.01%～0.50%	$ 3,302	
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	14,638,552	$ 150,000	-	$ 150,386	
			Valuation adjustment of financial assets		386		-	
			Total		$ 150,386		$ 150,386	
	-CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	3,652,868	$ 40,000	-	$ 40,019	
			Valuation adjustment of financial assets		19		-	
			Total		$ 40,019		$ 40,019	
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd.	-	Available-for-sale financial assets - non-current	-	$ 1,168	-	$ 1,168	
	Ho An Insurance Agency Co., Ltd. Etc.	-	〃	-	3,302	0.01%～0.50%	3,302	
	President securites Corp-PGNW0085	None	Available-for-sale financial assets - current	-	95,943	-	95,943	
	Beneficiary certificates							
	-Hua Nan Phoenix Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	12,392,572	200,000	-	200,296	
			Valuation adjustment of financial assets		296		-	
			Total		200,296		200,296	
Ho Tai Service & Marketing Co., Ltd	Bestaiwan Co., Ltd.	None	Available-for-sale financial assets – non-current	11,974	$ -	0.11%	$ -	
	Beneficiary certificates							
	-BOT Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	2,527,891	$ 30,000	-	$ 30,098	
			Valuation adjustment of financial assets		98		-	
			Total		$ 30,098		$ 30,098	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets – non-current	-	$ 2,916	0.50%	$ 2,916	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	〃	-	$ 2,916	0.50%	$ 2,916	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	〃	-	$ 22,772	10.48%	$ 22,772	

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as its 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

Year ended December 31, 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 December 31, 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 Motor Co., Ltd.	Nan Shan Life Insurance Prepetual 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	6,831,887	-	-	-	-	19,960,531	6,861,845
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	200,296
Ho Tai Development Co., Ltd.	President USD 100% principal guaranteed structured product	Available-for-sale financial assets-current	〃	〃	-	-	-	639,586	-	544,828	543,643	1,185	-	95,943
Chang Yuan Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	〃	〃	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	701,743	10,100,000	302,495	-	-	-	-	25,250,000	1,059,469

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

Ho Tai Motor Co., Ltd.

Acquisition of indivisual real estate reaching NT$300 million or 20% of paid-in capital or more

Year ended December 31, 2017

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

Table 5

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Prior transaction of related counterparty: Owner	Relationship	Transfer date	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Hotai Leasing Co., Ltd.	Land and building located in No.60~69 Chengtai Section, Wugu Dist., New Taipei City	2017.12.21	$ 1,380,000	207,000	Lion Chemical Industry (Taiwan) Co.,Ltd.	None	-	-	-	-	Evaluated by professional appraisal institute and active market price	operation purpose	None
Shanghai Ho-Mian Motor Technology Co., Ltd	4-storey building and 70 phase II parking spaces located in Luding Road, Putuo District, Shanghai	2017.12.21	986,415	279,930	Greentown Property Service Group Co., Ltd. Shanghai Branch.	None	-	-	-	-	Evaluated by professional appraisal institute and active market price	operation purpose	None

Note 1: The appraisal value should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Ho Tai Motor Co., Ltd.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2017

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

Table 6

			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	$ 22,865,146	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	$ 456,014	16%	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	21,331,748	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	415,927	15%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	17,152,351	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	401,463	14%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	15,274,706	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	316,393	11%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	14,480,026	13%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	526,711	19%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	13,661,850	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	239,974	9%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	2,281,137	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	48,815	2%	
Ho Tai Motor Co., Ltd.	Easterm Motor Co., Ltd.	Subsidiary	〃	1,967,575	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	20,506	1%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	〃	〃	1,333,449	1%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	〃	116,180	4%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	〃	〃	682,639	1%	Collection at sight	Normal	〃	131,690	5%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	〃	〃	104,977	-	Collection at sight	〃	〃	9,354	-	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	40,443,959	40%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	〃	(270,505)	3%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	〃	34,435,637	34%	Closes its accounts 15 days after the end of each month	〃	〃	(4,273,475)	54%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	〃	〃	2,142,128	2%	Closes its accounts 15 days after the end of each month	〃	〃	(246,252)	3%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	〃	1,575,877	2%	Closes its accounts 16 days after the end of each month	〃	〃	(169,803)	2%	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management	〃	1,534,382	2%	Closes its accounts 15 days after the end of each month	〃	〃	(120,188)	2%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	〃	710,497	1%	Closes its accounts 16 days after the end of each month	〃	〃	(68,621)	1%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	〃	271,920	-	Closes its accounts 15 days after the end of each month	〃	〃	(8,246)	-	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	〃	1,333,449	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	Not applicable	(116,180)	24%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	〃	7,134,466	72%	7 days after invoice date	〃	〃	(203,279)	42%	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	〃	Sales	552,185	5%	14 days after invoice date	Normal	Normal	24,766	1%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	〃	〃	393,419	4%	Collection at sight	〃	〃	52	-	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Coproration	Entity controlled by the Company's key management	Purchases	324,380	75%	Closes its accounts 15 days after the end of each month	Not applicable	〃	(19,689)	42%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Sales	1,575,877	30%	Closes its accounts 16 days after the end of each month	Normal	〃	169,803	19%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	〃	589,683	11%	Closes its accounts 35 days after the end of each month	〃	〃	132,408	15%	
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	〃	〃	494,786	9%	Closes its accounts 25 days after the end of each month	〃	〃	52,122	6%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	〃	〃	492,077	9%	Closes its accounts 35 days after the end of each month	〃	〃	127,236	14%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	〃	〃	335,554	6%	Closes its accounts 40 days after the end of each month	〃	〃	69,457	8%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	〃	〃	206,598	4%	Closes its accounts 40 days after the end of each month	〃	〃	39,725	4%	
Carmax Co., Ltd.	Chang Guan Logistics Co., Ltd.	〃	〃	165,645	3%	Closes its accounts 40 days after the end of each month	〃	〃	63,677	7%	
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd	〃	〃	147,988	3%	Closes its accounts 40 days after the end of each month	〃	〃	-	-	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	〃	〃	108,966	2%	Closes its accounts 10 days after the end of each month	〃	〃	10,683	1%	

			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
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Purchases	$ 104,977	3%	Closes its accounts 10 days after the end of each month	Normal	Normal	($ 9,354)	1%	
Carmax Co., Ltd.	Taipei Toyato Motor Co., Ltd.	Associates	〃	237,199	6%	Closes its accounts 21 days after the end of each month	〃	〃	(20,096)	2%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	〃	〃	171,590	4%	Closes its accounts 10 days after the end of each month	〃	〃	-	-	
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	〃	〃	7,691,644	18%	Payment at sight	〃	〃	(93,580)	15%	
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	4,867,358	11%	Payment at sight	〃	〃	(90,745)	15%	
Hotai Finance Co., Ltd.	Kau Du Automible Co., Ltd.	〃	〃	4,706,093	11%	Payment at sight	〃	〃	(144,780)	23%	
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	4,223,966	10%	Payment at sight	〃	〃	(172,910)	28%	
Hotai Finance Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	4,190,365	10%	Payment at sight	〃	〃	(27,750)	4%	
Hotai Finance Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	3,129,851	7%	Payment at sight	〃	〃	(1,800)	-	
Hotai Finance Co., Ltd.	Eastern Motor Co., Ltd.	〃	〃	739,012	2%	Payment at sight	〃	〃	(15,820)	3%	
Hotai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	705,371	2%	Payment at sight	〃	〃	(4,870)	1%	
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	〃	682,639	6%	Payment at sight	〃	〃	(131,690)	7%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	〃	1,395,017	12%	Payment at sight	〃	〃	(450)	-	〃
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	1,419,900	12%	Payment at sight	〃	〃	(4,549)	2%	〃
Hotai Leasing Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	881,651	7%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	〃	〃	796,656	7%	Payment at sight	〃	〃	(136)	-	〃
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	888,715	7%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	444,494	4%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	〃	〃	393,419	3%	Payment at sight	〃	〃	(52)	-	〃
Hotai Leasing Co., Ltd.	Innovation Auto Parts Co., Ltd.	〃	〃	347,013	3%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	124,537	1%	Payment at sight	〃	〃	-	-	〃
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	175,604	37%	Closes its accounts 60 days after the end of each month	〃	〃	29,489	53%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	Purchases	175,604	3%	Closes its accounts 60 days after the end of each month	〃	〃	(29,489)	13%	
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	〃	1,967,575	92%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	(20,506)	73%	
Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	Associates	Sales	739,012	33%	Collection at sight	〃	〃	15,820	11%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China)Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	2,624,550	96%	Payment in advance	〃	〃	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,847,929	93%	Payment in advance	〃	〃	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,411,600	100%	Payment in advance	〃	〃	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,368,652	95%	Payment in advance	〃	〃	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,313,218	100%	Payment in advance	〃	〃	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,261,582	99%	Payment in advance	〃	〃	-	-	
Tianjin Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	149,709	20%	Payment in advance	〃	〃	-	-	
Shanhai Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	145,221	15%	Payment in advance	〃	〃	-	-	

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

Ho Tai Motor Co., Ltd.

Receivables from related parties reaching $100 million or 20% of paid-in capital or more
December 31, 2017

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

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 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.	Kuotu Motor Co., Ltd.	Associates	Accounts receivable	$ 526,711	40.41	$ -	None	$ 526,711	$ -
			Other receivables	$ 49,074				49,074	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	〃	Accounts receivable	$ 456,014	56.99	-	〃	456,014	-
			Other receivables	$ 49,747				49,747	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	Accounts receivable	$ 415,927	69.62	-	〃	415,927	-
			Other receivables	$ 45,105				45,105	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	Accounts receivable	$ 401,463	57.18	-	〃	401,463	-
			Other receivables	$ 3,929				3,929	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	Accounts receivable	$ 316,393	53.68	-	〃	316,393	-
			Other receivables	$ 30,979				30,979	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	Accounts receivable	$ 239,974	57.71	-	〃	239,974	-
			Other receivables	$ 32,175				32,175	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	$ 116,180	11.71	-	〃	116,180	-
			Other receivables	$ 15,385				15,385	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	〃	Accounts receivable	$ 131,690	8.69	-	〃	131,690	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent Company	Accounts receivable	$ 169,803	9.88	-	〃	169,803	-
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Accounts receivable	$ 132,408	37.57	-	〃	132,408	-
Carmax Co., Ltd.	Wang Fu Co., Ltd.	〃	Accounts receivable	$ 127,236	43.22	-	〃	127,236	-

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2017

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

Table 8

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	$ 1,333,449	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	839,767	Closes its accounts 16 days after the end of following two months	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	64,812		-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Warranty cost	99,956		-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	116,180	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	682,639	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	131,690		-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discount	273,151	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	104,977		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	169,803		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,967,575	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	〃	393,419	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	〃	61,467		-
2	Hotai Finance Co., Ltd.	Hotai Leasing Co., Ltd.	3	Commission expense	94,932		-
3	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	739,012	Collection at sight	-
4	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	〃	1,575,877	Closes its accounts 16 days after the end of each month	-
4	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Service revenue	67,259		-
5	Ho Tai Service & Marketing Co., Ltd	Ho Tai Development Co., Ltd.	3	Sales revenue	175,604	Closes its accounts 60 days after the end of each month	-
6	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	〃	171,590		-

Note 1： The numbers filled for inter-company transactions are as follows:
1.The parent company is numbered "0".
2.The subsidiaries are numbered starting from "1".

Note 2： The relationships among the transaction parties are as follows:
1.The parent company to the subsidiary.
2.The subsidiary to the parent company.
3.The subsidiary to another subsidiary.

Note 3： The percentage of transaction amount over consolidated total revenues or total assets is as follows:
Assets and liabilities are calculated using the ending balance over the consolidated total assets at eneding period;
Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.

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

Year ended December 31, 2017

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

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount: Balance at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognized by the Company for the year ended December 31, 2017	Footnote
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	$ 7,780,182	$ 650,182	-	100.00	$ 16,190,110	$ 1,334,234	$ 1,334,234	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	4,609,218	3,540,058	1,064,632	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,849,866	58,897,360	100.00	3,839,781	564,507	564,507	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	3,817,801	246,319	246,319	〃
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	〃	〃	2,098,966	2,098,966	15,000,000	20.00	2,448,865	329,539	62,833	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	2,177,065	707,779	318,196	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	1,386,398	249,568	45,240	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	1,319,043	234,945	40,786	〃
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	〃	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,173,866	774,874	395,186	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	915,931	185,428	64,548	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	948,238	281,309	56,402	〃
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	186,851	186,851	14,806,073	23.67	893,335	334,567	79,192	〃
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	〃	Sales of vehicles and parts for industry use	50,000	50,000	48,816,929	100.00	719,585	120,599	120,599	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	358,764	18,105	18,105	〃
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	256,000	256,000	2,000,000	20.00	281,434	39,904	7,298	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	273,757	15,432	7,028	〃
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	〃	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	131,622	61,436	12,988	〃
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	120,680	66,904	16,726	〃
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	〃	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	11,408	3,778	756	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	104,160	104,160	3,500,000	70.00	100,788	10,422	-	〃

Investor	Investee	Location	Main business activities	Initial investment amount: Balance at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognized by the Company for the year ended December 31, 2017	Footnote
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	$ 35,712	$ 35,712	1,200,000	40.00	$ -	$ 9,183	$ -	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	247,365,831	66.03	6,290,575	1,474,898	-	Subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	〃	Leasing of light passenger vehicles	181,907	181,907	76,026,689	66.04	2,181,395	510,578	-	〃
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	〃	Installment trading of various vehicles	34,756	34,756	3,475,571	18.29	296,928	62,049	-	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	96	185,428	-	〃
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	〃	Property and casualty insurance services	6,831,887	-	19,960,531	99.80	6,861,845	6,244	-	Subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	〃	General investment	298,864	-	20,470,156	40.00	326,283	80,219	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Ho Tai Cyber Connection Co., Ltd.	〃	E-commerce platform services of used vehicles	230,000	-	23,000,000	100.00	225,833	(4,167)	-	Subsidiary
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	751,440	450,864	25,250,000	50.50	1,059,469	132,962	-	〃
Hotai Leasing Co., Ltd.	Hoyun International Limited	〃	〃	736,560	441,936	24,750,000	49.50	1,037,650	132,962	-	〃
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	〃	89,280	89,280	3,000,000	100.00	123,249	1,874	-	〃
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	323,566	85,032	-	〃
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	〃	Advertisement making	2,400	2,400	240,000	30.00	574	(1,558)	-	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	6,435	(3,448)	-	〃
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	〃	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	34,996	3,778	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	〃	Wholesale and retail of vehicles parts and assessories	500	500	138,718	100.00	15,298	11,139	-	〃
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	89,280	89,280	3,000,000	100.00	123,249	1,874	-	〃

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Year ended December 31, 2017

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

Table 10

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 year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2017	Book value of investment in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 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	$ 2,322,619	Note 1.2	$ 340,752	$ -	$ -	$ 340,752	$ 544,424	100.00	$ 544,424	$ 3,688,457	$ -	Note 2.2
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100,291	〃	100,291	-	-	100,291	55,110	100.00	55,110	232,289	-	〃
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	〃	137,101	〃	10,937	-	-	10,937	-	10.48	-	10,937	-	〃
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	〃	89,280	〃	29,760	-	-	29,760	9,183	40.00	-	-	-	〃
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	178,560	〃	178,560	-	-	178,560	82,786	100.00	82,786	375,162	-	〃
Shanghai Hozhan Motor Service Co., Ltd.	〃	89,280	〃	89,280	-	-	89,280	44,632	100.00	44,632	155,925	-	〃
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	〃	148,800	〃	104,160	-	-	104,160	10,422	70.00	7,295	143,984	-	〃
Shanghai Heling Motor Service Co., Ltd.	〃	104,160	Note 1.3	78,120	-	-	78,120	161,094	100.00	161,094	364,442	-	〃
ChongQing Yurun Toyota Automobile Service Co., Ltd.	〃	137,101	Note 1.2	11,718	-	-	11,718	-	10.48	-	11,718	145,874	〃
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	130,944	〃	130,944	-	-	130,944	(418)	100.00	(418)	104,862	-	〃
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	406,224	〃	276,768	-	-	276,768	(8,314)	100.00	(8,314)	218,336	-	〃
Zaozhung Ho-Wan Motor Sales & Service Co., Ltd.	〃	18,280	Note 1.3	-	-	-	-	26	100.00	26	18,307	-	〃
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	172,608	Note 1.2	172,608	-	-	172,608	63,506	100.00	63,506	250,631	-	〃
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	〃	193,440	〃	193,440	-	-	193,440	50,558	100.00	50,558	250,287	-	〃
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	1,488,000	〃	892,800	595,200	-	1,488,000	132,962	66.03	87,804	2,097,119	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	228,501	Note 1.3	-	-	-	-	5,456	66.03	3,603	156,090	-	〃
He Zhan Development Co., Ltd.	Trading of air coniditoning equipment	89,280	Note 1.2	89,280	-	-	89,280	1,874	45.01	848	55,472	-	Note 2.2
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	357,120	Note 1.3	-	-	-	-	71,410	100.00	71,410	279,073	-	〃
Tianjin Hozhan Motor Service Co., Ltd.	〃	313,502	〃	-	-	-	-	34,715	100.00	34,715	211,688	-	〃
Linyi Hoyu Toyota Motor Sales and Service Co., Ltd.	〃	357,120	〃	-	-	-	-	(13,999)	35.00	(4,900)	66,714	-	〃
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	39,581	Note 1.1	39,581	-	-	39,581	31,208	51.00	15,916	154,923	-	〃
Guangzhou Gac Changho Autotech Corporation	〃	95,034	〃	42,765	-	-	42,765	57,755	22.95	13,255	70,909	36,401	〃
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	297,600	Note 1.3	-	-	-	-	50,744	35.00	17,760	66,912	-	〃
Taizhou Zhongdu Lexus Motor Sale Service Co.,Ltd.	〃	446,400	〃	-	-	-	-	27,252	35.00	9,538	130,711	-	Note 2.3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2017	Book value of investment in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	$ 357,120	Note 1.3	$ -	$ -	$ -	$ -	$ 63,236	35.00	$ 22,133	$ 103,502	$ -	Note 2.2
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	〃	416,640	〃	-	-	-	-	(24,193)	35.00	(8,467)	82,243	-	Note 2.3
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	13,710	〃	-	-	-	-	4,693	60.00	2,816	13,138	-	Note 2.2
Shanghai Guangxin Cultural Media Co., Ltd	Design and production of advertisements	4,570	〃	-	-	-	-	1,815	100.00	1,815	6,481	-	〃
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Sales and repairing of vehicles	488,537	〃	-	-	-	-	45,721	100.00	34,370	286,234	-	〃
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories	282,198	〃	-	-	-	-	(1)	100.00	(1)	282,198	-	〃

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 year ended December 31, 2017 is based on:

1.The financial statements were audited by R.O.C parent company's CPA.

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

3.Others.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 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.	$ 1,614,486	$ 3,892,873	$ 32,925,689