

**HO TAI MOTOR COMPANY LIMITED**  
**PARENT COMPANY ONLY FINANCIAL STATEMENTS**  
**AND REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2017 AND 2016**

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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.  
PARENT COMPANY ONLY FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2017 AND 2016  
CONTENTS

<u>Items</u>	<u>Page/Reference</u>
1. Cover	1
2. Contents	2 ~ 3
3. Report of independent accountants	4 ~ 10
4. Parent company only balance sheets	11 ~ 12
5. Parent company only statements of comprehensive income	13
6. Parent company only statements of changes in equity	14
7. Parent company only statements of cash flows	15
8. Notes to the parent company only financial statements	16 ~ 62
(1) History and organization	16
(2) The date of authorization for issuance of the financial statements and procedures for authorization	16
(3) Application of new standards, amendments and interpretations	16 ~ 19
(4) Summary of significant accounting policies	19 ~ 29
(5) Critical accounting judgements, estimates and key sources of assumption uncertainty	29 ~ 30
(6) Details of significant accounts	30 ~ 45
(7) Related party transactions	46 ~ 53
(8) Pledged assets	53
(9) Significant contingent liabilities and unrecognized contract commitments	53
(10) Significant disaster loss	54
(11) Significant events after the balance sheet date	54
(12) Others	54 ~ 61
(13) Supplementary disclosures	61 ~ 62
(14) Segment information	62

<u>Items</u>	<u>Page/Reference</u>
9. Contents of statement of major accounting items	
Statement of cash and cash equivalents	Statement 1
Statement of inventories	Statement 2
Statement of changes in investments accounted for using equity method	Statement 3
Statement of changes in property, plant and equipment-cost	Statement 4
Statement of changes in property, plant and equipment-accumulated depreciation	Statement 5
Statement of changes in investment property-cost	Statement 6
Statement of changes in investment property-accumulated depreciation	Statement 7
Statement of short-term loans	Statement 8
Statement of operating revenue	Statement 9
Statement of operating costs	Statement 10
Statement of selling expenses	Statement 11
Statement of general and administrative expenses	Statement 12
Summary of employee benefits expenses, depreciation and amortization by function	Statement 13

**REPORT OF INDEPENDENT ACCOUNTANTS**  
(TRANSLATED FROM CHINESE)

PWCR17000291

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

***Opinion***

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

In our opinion, based on our audits and the reports of other independent accountants (please refer to “other matter” section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

***Basis for opinion***

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

***Key audit matters***

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

The key audit matters of the parent company only financial reports are as follows:

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

Description

Hotai Finance Co., Ltd. (“Hotai Finance”) is an investment by Ho Tai Motor Co., Ltd. accounted for using equity method. Its primary business is providing installment sales and leases of vehicle trade and lease services. 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 be 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(22) to the parent company only financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimate and assumptions of provisions for warranty, and Note 6(14) for details of the provisions for warranty.

In order to enhance customer's confidence on product quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, the Company provides an extra 4<sup>th</sup> 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 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 recent 4 years and met the warranty claimed in 4<sup>th</sup> 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 average warranty claimed cost from each agent brand.

#### **Significant Business Combination by Hozan Investment Co., Ltd., the investment accounted for using equity method**

##### Description

On January 17, 2017, Hozan Investment Co., Ltd. ("Hozan Investment"), an investment of Ho Tai Motor Co., Ltd. accounted for using equity method, acquired 99.80% equity of Hotai Insurance Co., Ltd. (Hotai Insurance, formerly named as Zurich Insurance Taiwan Ltd.) for NT\$6,831,887 thousand in cash and obtained control over Hotai Insurance Co., Ltd. This investment is recognized in investments accounted for using equity method.

Hozan Investment 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 investment accounted for using equity method**

Description

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd., an investment by Ho Tai Motor Co., Ltd. accounted for using equity method, is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department's historical claims development trend and experience, etc. As of December 31, 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 certain investments recognized under the equity method that are included in the parent company only financial statements. Investments using equity method amounted to NT\$ 5,605,858 thousand and NT\$ 5,189,047 thousand as at December 31, 2017 and 2016, constituting 9.18 % and 9.05% of 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 2.73% and 2.99% of total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

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

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

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

#### ***Auditor’s responsibilities for the audit of the financial statements***

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



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

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

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

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

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

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Chin-Mu, Hsiao

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Chien-Hung, Chou

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

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

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

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2017		December 31, 2016	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 5,015,645	8	\$ 6,361,116	11
1110	Financial assets at fair value through profit or loss	6(2)	-	-	2,826,648	5
1150	Notes receivable, net	6(4)	54,641	-	20,394	-
1160	Notes receivable – related parties, net	6(4) and 7	33,478	-	4,519	-
1170	Accounts receivable, net	6(4)	29,910	-	27,227	-
1180	Accounts receivable – related parties, net	6(4) and 7	2,652,296	5	1,596,484	3
1200	Other receivables	7	647,770	1	516,255	1
130X	Inventories, net	6(6)	3,179,587	5	5,492,689	9
1410	Prepayments		177,046	-	968,621	2
11XX	<b>Total current assets</b>		11,790,373	19	17,813,953	31
<b>Non-current assets</b>						
1523	Available-for-sale financial assets	6(3)	1,329,564	2	786,884	1
1550	Investments accounted for using equity method	6(7)	41,616,901	68	32,345,247	56
1600	Property, plant and equipment	6(8)	3,709,471	6	3,720,240	7
1760	Investment property, net	6(9)	2,016,290	3	2,042,490	4
1840	Deferred income tax assets	6(23)	239,353	1	251,648	-
1900	Other non-current assets		372,193	1	362,709	1
15XX	<b>Total non-current assets</b>		49,283,772	81	39,509,218	69
1XXX	<b>Total assets</b>		\$ 61,074,145	100	\$ 57,323,171	100

(Continued)

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2017		December 31, 2016	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term loans	6(10)	\$ 809,713	1	\$ 1,193,250	2
2120	Financial liabilities at fair value through profit or loss	6(2)				
	-current		96,003	-	-	-
2170	Accounts payable	6(11)	2,687,025	4	1,989,118	3
2180	Accounts payable – related parties	6(11) and 7	5,162,981	8	5,663,866	10
2200	Other payables	6(12) and 7	2,139,638	4	1,844,853	3
2230	Current income tax liabilities	6(23)	954,677	2	868,289	2
2250	Provisions	6(14)	894,312	2	925,804	2
2300	Other current liabilities		93,103	-	152,612	-
21XX	<b>Total current liabilities</b>		<u>12,837,452</u>	<u>21</u>	<u>12,637,792</u>	<u>22</u>
<b>Non-current liabilities</b>						
2550	Provisions	6(14)	731,877	1	815,525	2
2570	Deferred income tax liabilities	6(23)	845,858	2	762,954	1
2600	Other non-current liabilities		3,657	-	658	-
25XX	<b>Total non-current liabilities</b>		<u>1,581,392</u>	<u>3</u>	<u>1,579,137</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>14,418,844</u>	<u>24</u>	<u>14,216,929</u>	<u>25</u>
<b>Equity</b>						
<b>Share capital</b>						
		6(15)				
3110	Common stock		5,461,792	9	5,461,792	10
<b>Capital surplus</b>						
		6(16)				
3200	Capital surplus		263,060	-	263,060	-
<b>Retained earnings</b>						
		6(17)				
3310	Legal reserve		9,336,721	15	8,262,717	14
3320	Special reserve		381,843	1	381,843	1
3350	Unappropriated earnings		30,517,783	50	28,074,357	49
<b>Other equity</b>						
3400	Other equity interest		694,102	1	662,473	1
3XXX	<b>Total equity</b>		<u>46,655,301</u>	<u>76</u>	<u>43,106,242</u>	<u>75</u>
<b>Commitments and contingent liabilities</b>						
		9				
<b>Significant events after balance sheet date</b>						
		11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 61,074,145</u>	<u>100</u>	<u>\$ 57,323,171</u>	<u>100</u>

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

**HO TAI MOTOR CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2017		2016	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(18) and 7	\$ 112,264,170	100	\$ 110,353,594	100
5000 <b>Operating costs</b>	6(6) and 7	( 102,459,946)	( 92)	( 100,826,855)	( 91)
5900 <b>Gross profit before realized (unrealized) gross profit on sales to subsidiaries and associates</b>		9,804,224	8	9,526,739	9
5910 Unrealized profit from sales		( 125,117)	-	( 74,663)	-
5920 Realized profit from sales		74,663	-	107,344	-
5950 <b>Gross profit</b>		<u>9,753,770</u>	<u>8</u>	<u>9,559,420</u>	<u>9</u>
<b>Operating expenses</b>	6(21)(22) and 7				
6100 Selling expenses		( 1,968,592)	( 2)	( 2,040,010)	( 2)
6200 General and administrative expenses		( 1,375,795)	( 1)	( 1,240,018)	( 1)
6000 <b>Total operating expenses</b>		<u>( 3,344,387)</u>	<u>( 3)</u>	<u>( 3,280,028)</u>	<u>( 3)</u>
6900 <b>Operating profit</b>		<u>6,409,383</u>	<u>5</u>	<u>6,279,392</u>	<u>6</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(19) and 7	887,275	1	882,901	1
7020 Other gains and losses	6(20)	33,806	-	87,147	-
7050 Finance costs	7	( 24,101)	-	( 19,872)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	4,455,575	4	5,008,805	4
7000 <b>Total non-operating income and expenses</b>		<u>5,352,555</u>	<u>5</u>	<u>5,958,981</u>	<u>5</u>
7900 <b>Profit before income tax</b>		<u>11,761,938</u>	<u>10</u>	<u>12,238,373</u>	<u>11</u>
7950 Income tax expense	6(23)	( 1,646,331)	( 1)	( 1,498,334)	( 1)
8200 <b>Profit for the year</b>		<u>\$ 10,115,607</u>	<u>9</u>	<u>\$ 10,740,039</u>	<u>10</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>					
<b>Components of other comprehensive income (loss) that may not be reclassified to profit or loss</b>					
8330 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(\$ 44,027)	-	\$ 7,937	-
8310 <b>Total components of other comprehensive income (loss) that may not be reclassified to profit or loss</b>		<u>( 44,027)</u>	<u>-</u>	<u>7,937</u>	<u>-</u>
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Financial statement translation differences of foreign operations		( 46,672)	-	( 280,197)	( 1)
8362 Unrealized gain (loss) from available-for-sale financial assets	6(3)	42,680	-	20,303	-
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		35,621	-	( 186,801)	-
8360 <b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>		<u>\$ 31,629</u>	<u>-</u>	<u>(\$ 446,695)</u>	<u>( 1)</u>
8300 <b>Other comprehensive loss for the year, net of tax</b>		<u>(\$ 12,398)</u>	<u>-</u>	<u>(\$ 438,758)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 10,103,209</u>	<u>9</u>	<u>\$ 10,301,281</u>	<u>9</u>
<b>Earnings per share (in dollars)</b>	6(24)				
9750 <b>Basic earnings per share</b>		\$ 18.52		\$ 19.66	
9850 <b>Diluted earnings per share</b>		\$ 18.51		\$ 19.65	

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

HO TAI MOTOR CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity			Total equity	
		Share capital – common stock	Capital surplus -additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain (loss) from available-for-sale financial assets		Loss on effective portion of cash flow hedges
<u>2016</u>										
Balance at January 1, 2016		\$ 5,461,792	\$ 263,060	\$ 7,285,058	\$ 381,843	\$ 24,863,218	\$ 372,709	\$ 738,780	(\$ 2,321)	\$ 39,364,139
Appropriation and distribution of earnings	6(17)									
Legal reserve		-	-	977,659	-	( 977,659)	-	-	-	-
Cash dividends		-	-	-	-	( 6,554,150)	-	-	-	( 6,554,150)
Profit for the year		-	-	-	-	10,740,039	-	-	-	10,740,039
Participation in subsidiary's capital increase not proportional to ownership		-	-	-	-	( 5,028)	-	-	-	( 5,028)
Other comprehensive income (loss) for the year		-	-	-	-	7,937	( 484,291)	44,400	( 6,804)	( 438,758)
Balance at December 31, 2016		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 8,262,717</u>	<u>\$ 381,843</u>	<u>\$ 28,074,357</u>	<u>(\$ 111,582)</u>	<u>\$ 783,180</u>	<u>(\$ 9,125)</u>	<u>\$ 43,106,242</u>
<u>2017</u>										
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
Appropriation and distribution of earnings	6(17)									
Legal reserve		-	-	1,074,004	-	( 1,074,004)	-	-	-	-
Cash dividends		-	-	-	-	( 6,554,150)	-	-	-	( 6,554,150)
Profit for the year		-	-	-	-	10,115,607	-	-	-	10,115,607
Other comprehensive income (loss) for the year		-	-	-	-	( 44,027)	( 82,657)	126,782	( 12,496)	( 12,398)
Balance at December 31, 2017		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 9,336,721</u>	<u>\$ 381,843</u>	<u>\$ 30,517,783</u>	<u>(\$ 194,239)</u>	<u>\$ 909,962</u>	<u>(\$ 21,621)</u>	<u>\$ 46,655,301</u>

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

**HO TAI MOTOR CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<b><u>Cash flows from operating activities</u></b>			
Profit before income tax		\$ 11,761,938	\$ 12,238,373
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(20)	222,651	( 63,642 )
Depreciation (including investment property)	6(8)(9)(21)	88,653	86,288
Net loss on disposal of property, plant and equipment	6(20)	295	40
Loss on abandonment of property, plant and equipment	6(20)	129	81
Share of profit of associates accounted for using equity method	6(7)	( 4,455,575 )	( 5,008,805 )
Dividend income		( 38,912 )	( 36,680 )
Interest expense		24,101	19,872
Interest income	6(19)	( 65,529 )	( 74,853 )
Gains on disposal of investments		-	( 3 )
Unrealized profit from sales		125,117	74,663
Realized profit from sales		( 74,663 )	( 107,344 )
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		2,603,997	390,190
Notes receivable		( 63,206 )	36,118
Accounts receivable		( 1,058,495 )	( 143,946 )
Other receivables		( 131,484 )	215,580
Inventories		2,313,102	( 3,920,488 )
Prepayments		791,474	( 688,889 )
Financial liabilities at fair value through profit or loss		96,003	-
Net changes in liabilities relating to operating activities			
Notes and accounts payable		197,022	2,141,717
Other payables		294,423	( 276,360 )
Other current liabilities		( 91,001 )	( 187,823 )
Other non-current liabilities		( 80,649 )	101,988
Cash generated from operations		12,459,391	4,796,077
Cash dividends received		2,247,301	2,850,080
Interest paid		( 23,638 )	( 19,613 )
Income tax paid		( 1,464,744 )	( 1,392,435 )
Interest received		65,498	74,649
Net cash provided by operating activities		<u>13,283,808</u>	<u>6,308,758</u>
<b><u>Cash flows from investing activities</u></b>			
Acquisition of available-for-sale financial assets	6(3)	( 500,000 )	-
Proceeds from capital reduction of available-for-sale financial assets		-	23,032
Proceeds from disposal of available-for-sale financial assets		-	3
Acquisition of investments accounted for using equity method	6(7)	( 7,130,000 )	-
Acquisition of property, plant and equipment and investment property	6(8)(9)	( 52,413 )	( 83,850 )
Proceeds from disposal of property, plant and equipment		305	14
(Increase) decrease in other non-current assets		( 9,484 )	4,870
Net cash used in investing activities		<u>( 7,691,592 )</u>	<u>( 55,931 )</u>
<b><u>Cash flows from financing activities</u></b>			
(Decrease) increase in short-term loans		( 383,537 )	842,023
Cash dividends paid	6(17)	( 6,554,150 )	( 6,554,150 )
Net cash used in financing activities		<u>( 6,937,687 )</u>	<u>( 5,712,127 )</u>
(Decrease) increase in cash and cash equivalents		( 1,345,471 )	540,700
Cash and cash equivalents at beginning of year		6,361,116	5,820,416
Cash and cash equivalents at end of year		<u>\$ 5,015,645</u>	<u>\$ 6,361,116</u>

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

HO TAI MOTOR CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

1. HISTORY AND ORGANIZATION

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

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 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:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014



<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
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 Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions(amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
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 (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. Amendments to IAS 7, ‘Disclosure initiative’

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

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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 or lifetime expected credit losses (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 Company 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.

When adopting the new standards endorsed by the FSC effective from 2018, the Company 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 standard as of January 1, 2018 are summarized below:

- (a) In accordance with IFRS 9, the Company expect to reclassify available-for-sale financial assets in the amounts of \$829,564 and make an irrevocable election at initial recognition on equity instruments not held for trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$829,564.
- (b) In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets into 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:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
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

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Plan amendment, curtailment or settlement (amendments to IAS 19)	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 improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

as at fair value through profit or loss on initial recognition:

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

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

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

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

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

(8) Accounts receivable

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

(9) 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.

(10) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events)

has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at amortized cost

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

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less

any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly.

(11) Derecognition of financial assets

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

(12) Inventories

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

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

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital



surplus' in proportion to its ownership.

- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. In accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers", "profit for the year" and "other comprehensive income for the year" reported in an entity's non-consolidated statement of comprehensive income, shall be equal to "profit for the year" and "other comprehensive income for the year" attributable to shareholders of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to shareholders of parent reported in that entity's consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(15) Leased assets / operating leases (lessee)

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

(16) Investment property

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

(17) Impairment of non-financial assets

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

(18) 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.

(19) 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.

(20) 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. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
- (a) Hybrid (combined) contracts; or
  - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
  - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- 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.

(21) 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.

(22) Provisions

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

(23) Employee benefits

A. Short-term benefits

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

B. Pensions

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

C. Employees' compensation and directors' 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.

(24) Income tax

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

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

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet

date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) 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.

(26) 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.

(27) Revenue recognition

Sales of goods

The Company sells vehicles and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

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

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

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Provisions for warranty

To provide vehicle owners more complete after-sales service and dependable quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, the Company provides an extra 4<sup>th</sup> 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(14) "Provisions" for more information. As of December 31, 2017, the carrying amount of provisions for warranty was \$1,626,189.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2017	2016
Cash on hand and revolving funds	\$ 350	\$ 250
Checking accounts and demand deposits	518,277	97,148
Cash equivalents - short-term notes and bills	4,497,018	6,263,718
	<u>\$ 5,015,645</u>	<u>\$ 6,361,116</u>

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

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

C. Of the short-term notes held by the Company, investments in notes issued under reserve 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(5).

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

	December 31,	
	2017	2016
Current items:		
Financial assets held for trading		
Domestic open-ended quasi money market fund	\$ -	\$ 2,700,000
Non-hedging derivative instruments	-	126,282
Valuation adjustment	-	366
	<u>\$ -</u>	<u>\$ 2,826,648</u>
Financial liabilities		
Non-hedging derivative instruments	(\$ 96,003)	-

A. The Company recognized net (loss) gain of (\$220,898) and \$79,262 on financial assets and financial liabilities 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		2016	
<u>Derivative instruments</u>	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

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

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

(3) Available-for-sale financial assets

	December 31,	
	2017	2016
Non-current items:		
Listed stocks and unlisted stocks	\$ 308,660	\$ 308,660
Domestic corporate bonds	500,000	-
	808,660	308,660
Valuation adjustment of available-for-sale financial assets	520,904	478,224
	<u>\$ 1,329,564</u>	<u>\$ 786,884</u>

The Company recognized gain of \$42,680 and \$20,303 in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively.

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

	December 31,	
	2017	2016
Notes receivable	\$ 88,119	\$ 24,913
Accounts receivable	2,682,206	1,623,711
	<u>\$ 2,770,325</u>	<u>\$ 1,648,624</u>

- A. The Company's accounts receivable that were neither past due nor impaired are assessed as good credit quality.
- B. The quality information of accounts receivable is based on customers' credit ranking and recoverable periods of receivables in order to calculate the accrual of impairment. The Company has an internal credit rating policy. The Company's finance department periodically or occasionally evaluates whether credit ratings of existing customers are appropriate and adjusts to obtain the latest information when necessary. Customers' credit rating assessment is based on financial position and repayment position.

(5) Offsetting financial assets and financial liabilities

- A. The derivatives and reverse repurchase agreement held by the company 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	\$4,497,018	\$ -	\$ 4,497,018	\$ -	\$4,497,018	\$ -

	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	\$6,263,718	\$ -	\$ 6,263,718	\$ -	\$6,263,718	\$ -



(6) Inventories

	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles	\$ 447,833	\$ -	\$ 447,833
Parts	625,702	( 64,578)	561,124
Inventory in transit	<u>2,170,630</u>	<u>-</u>	<u>2,170,630</u>
	<u>\$ 3,244,165</u>	<u>(\$ 64,578)</u>	<u>\$ 3,179,587</u>

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

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

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cost of goods sold	\$ 102,476,146	\$ 100,829,394
Loss on market value decline of inventories	2,874	600
Others	( 23,616)	( 6,623)
	<u>\$ 102,455,404</u>	<u>\$ 100,823,371</u>

(7) Investments accounted for using equity method

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Hozan Investment Co., Ltd.	\$ 16,190,110	\$ 8,247,139
Kuozui Motors, Ltd.	4,609,218	4,396,283
Chang Yuan Motor Co., Ltd.	3,817,801	3,581,958
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	3,839,781	3,334,725
Central Motor Co., Ltd.	2,448,865	2,408,428
Ho Tai Development Co., Ltd.	2,177,065	1,955,535
Tau Miao Motor Co., Ltd.	1,386,398	1,406,260
Kau Du Automobile Co., Ltd.	1,319,043	1,331,838
Carmax Co., Ltd.	1,173,866	1,135,160
Taipei Toyota Motor Co., Ltd.	915,931	918,131
Kuotu Motor Co., Ltd.	948,238	914,894
Nan Du Motor Co., Ltd.	893,335	870,861
Toyota Material Handling Taiwan Ltd.	719,585	693,258
Eastern Motor Co., Ltd.	358,764	343,316
Lang Yang Toyota Motor Co., Ltd.	281,434	282,242
Formosa Flexible Packaging Corp.	273,757	263,309
Shi-Ho Screw Industrial Co., Ltd. etc.	<u>263,710</u>	<u>261,910</u>
	<u>\$ 41,616,901</u>	<u>\$ 32,345,247</u>

A. Please refer to Note 4(3) of the 2017 consolidated financial statements for related information about subsidiaries of the Company.

B. The Company's investments have no quoted market prices. The share of profit of investments accounted for using the equity method were \$4,455,575 and \$5,008,805, which were valued based on the investees' financial statement audited by the independent accountants for the years ended December 31, 2017 and 2016, respectively, which were valued based on the financial statements audited by the companies' independent accounts.

C. In January, 2017, the Company increased capital in Hozan Investment Co., Ltd. amounting to \$7,130,000, which did not change the shareholding ratio.

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

The individually immaterial associates of the Company for the years ended December 31, 2017 and 2016 amounted to \$13,328,521 and \$13,043,503, respectively.

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Comprehensive income for the year	<u>\$ 5,276,885</u>	<u>\$ 8,693,215</u>

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Rental assets</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2017</u>								
Cost	\$ 2,143,310	\$ 1,196,420	\$ 128,832	\$ 532,236	\$ 5,512	\$ 102,176	\$ 2,926	\$ 4,111,412
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	( 26,850)	( 631,444)	( 126,505)	( 430,879)	( 4,916)	( 102,171)	-	( 1,322,765)
	<u>\$ 3,047,957</u>	<u>\$ 565,072</u>	<u>\$ 2,327</u>	<u>\$ 101,357</u>	<u>\$ 596</u>	<u>\$ 5</u>	<u>\$ 2,926</u>	<u>\$ 3,720,240</u>
<u>2017</u>								
Opening net book amount	\$ 3,047,957	\$ 565,072	\$ 2,327	\$ 101,357	\$ 596	\$ 5	\$ 2,926	\$ 3,720,240
Additions	-	22,425	178	17,620	591	362	11,237	52,413
Disposals	-	-	-	( 729)	-	-	-	( 729)
Reclassifications	-	-	-	2,926	-	-	( 2,926)	-
Depreciation	-	( 32,446)	( 581)	( 29,229)	( 192)	( 5)	-	( 62,453)
Closing net book amount	<u>\$ 3,047,957</u>	<u>\$ 555,051</u>	<u>\$ 1,924</u>	<u>\$ 91,945</u>	<u>\$ 995</u>	<u>\$ 362</u>	<u>\$ 11,237</u>	<u>\$ 3,709,471</u>
<u>At December 31, 2017</u>								
Cost	\$ 2,143,310	\$ 1,218,845	\$ 129,010	\$ 526,759	\$ 6,103	\$ 102,538	\$ 11,237	\$ 4,137,802
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	( 26,850)	( 663,890)	( 127,086)	( 434,814)	( 5,108)	( 102,176)	-	( 1,359,924)
	<u>\$ 3,047,957</u>	<u>\$ 555,051</u>	<u>\$ 1,924</u>	<u>\$ 91,945</u>	<u>\$ 995</u>	<u>\$ 362</u>	<u>\$ 11,237</u>	<u>\$ 3,709,471</u>

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

(9) Investment property

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2017</u>			
Cost	\$ 755,900	\$ 991,395	\$ 1,747,295
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>( 459,051)</u>	<u>( 459,051)</u>
	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>
<u>2017</u>			
Opening net book amount	\$ 1,498,163	\$ 544,327	\$ 2,042,490
Depreciation	<u>-</u>	<u>( 26,200)</u>	<u>( 26,200)</u>
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 518,127</u>	<u>\$ 2,016,290</u>
<u>At December 31, 2017</u>			
Cost	\$ 755,900	\$ 991,395	\$ 1,747,295
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>( 485,251)</u>	<u>( 485,251)</u>
	<u>\$ 1,498,163</u>	<u>\$ 518,127</u>	<u>\$ 2,016,290</u>
	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 755,900	\$ 992,039	\$ 1,747,939
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>( 433,265)</u>	<u>( 433,265)</u>
	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>
<u>2016</u>			
Opening net book amount	\$ 1,498,163	\$ 570,757	\$ 2,068,920
Additions	-	992	992
Transfer	-	( 1,028)	( 1,028)
Depreciation	<u>-</u>	<u>( 26,394)</u>	<u>( 26,394)</u>
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>
<u>At December 31, 2016</u>			
Cost	\$ 755,900	\$ 991,395	\$ 1,747,295
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>( 459,051)</u>	<u>( 459,051)</u>
	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Rental revenue from investment property	<u>\$ 197,592</u>	<u>\$ 199,560</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 26,200</u>	<u>\$ 26,394</u>

B. The fair value of the investment property held by the Company was \$3,540,276 and \$3,536,574 as of December 31, 2017 and 2016, respectively, based on the market value method.

(10) Short-term loans

<u>Type of loans</u>	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Unsecured loans	\$ 809,713	\$ 1,193,250
Annual interest rate	<u>1.91%~1.95%</u>	<u>1.10%~1.19%</u>

(11) Accounts payable (including related parties)

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 3,220,251	\$ 3,250,644
Accounts payable - foreign currencies	<u>4,690,507</u>	<u>4,345,514</u>
	7,910,758	7,596,158
Valuation adjustment	( 60,752)	56,826
	<u>\$ 7,850,006</u>	<u>\$ 7,652,984</u>

(12) Other payables

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Year-end bonus payable	\$ 683,408	\$ 664,916
Payable on discounts for distributors	271,496	260,301
Remuneration payable to directors and supervisors	242,514	252,338
Advertisement expense payable	319,772	168,490
Warranty cost payable	149,476	130,563
Remuneration payable to employees	121,257	126,169
Others	<u>351,715</u>	<u>242,076</u>
	<u>\$ 2,139,638</u>	<u>\$ 1,844,853</u>

(13) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2017 and 2016 were \$26,686 and \$26,645, respectively.

(14) Provisions

	<u>Warranty</u>
At January 1, 2017	\$ 1,741,329
Additional provisions during the year	620,017
Used during the year	( 724,344)
Unused amounts reversed during the year	( <u>10,813</u> )
At December 31, 2017	<u>\$ 1,626,189</u>

Analysis of total provisions:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Current	<u>\$ 894,312</u>	<u>\$ 925,804</u>
Non-current	<u>\$ 731,877</u>	<u>\$ 815,525</u>

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

(15) 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.

(16) 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.

(17) 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 at \$12 (in dollars) per share.
- E. For the information relating to employees' remuneration and directors' remuneration, please refer to Note 6(22).



(18) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Sales revenue	\$ 111,395,447	\$ 109,437,928
Service revenue	<u>868,723</u>	<u>915,666</u>
	<u>\$ 112,264,170</u>	<u>\$ 110,353,594</u>

(19) Other income

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Rental income	\$ 197,592	\$ 199,560
Interest income	65,529	74,853
Others	<u>624,154</u>	<u>608,488</u>
	<u>\$ 887,275</u>	<u>\$ 882,901</u>

(20) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	(\$ 222,651)	\$ 63,642
Loss on disposal of property, plant and equipment	( 295)	( 40)
Loss on abandonment of property, plant and equipment	( 129)	( 81)
Net currency exchange gain	281,474	34,406
Gain on disposal of investments	1,753	15,620
Miscellaneous disbursements	<u>( 26,346)</u>	<u>( 26,400)</u>
	<u>\$ 33,806</u>	<u>\$ 87,147</u>

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Employee benefit expense	\$ 1,750,386	\$ 1,685,358
Depreciation	<u>88,653</u>	<u>86,288</u>
	<u>\$ 1,839,039</u>	<u>\$ 1,771,646</u>

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Wages and salaries	\$ 1,574,616	\$ 1,518,869
Labor and health insurance fees	61,569	58,506
Pension costs	26,686	26,645
Other personnel expenses	<u>87,515</u>	<u>81,338</u>
	<u>\$ 1,750,386</u>	<u>\$ 1,685,358</u>

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year shall be distributed as employees' 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 channelled to cover losses.

- B. For the years ended December 31, 2017 and 2016, employees' compensation 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' compensation and directors' remuneration resolved by the Board of Directors were \$121,257 and \$242,514 on March 27, 2018, and the employees' compensation 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.

(23) Income tax

A. Income tax expense

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Current tax:		
Current tax expense recognized in the current year	\$ 1,244,892	\$ 1,204,757
Additional 10% surtax on undistributed earnings	311,188	217,638
Prior year income tax overestimation	( 4,948)	( 4,857)
Total current tax	<u>1,551,132</u>	<u>1,417,538</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>95,199</u>	<u>80,796</u>
Total deferred tax	<u>95,199</u>	<u>80,796</u>
Income tax expense	<u>\$ 1,646,331</u>	<u>\$ 1,498,334</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Income tax expense at the statutory rate	\$ 1,999,529	\$ 2,080,523
Effects from adjustments based on regulation	( 659,438)	( 794,970)
Additional 10% surtax on undistributed earnings	311,188	217,638
Prior year income tax overestimation	( 4,948)	( 4,857)
Income tax expense	<u>\$ 1,646,331</u>	<u>\$ 1,498,334</u>

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

	<u>Year ended December 31, 2017</u>		
	Recognized in		
	<u>January 1</u>	<u>profit or loss</u>	<u>December 31</u>
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,490	\$ 489	\$ 10,979
Provision for after-sale service	185,161	( 22,048)	163,113
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	12,693	8,577	21,270
Others	<u>29,398</u>	<u>687</u>	<u>30,085</u>
	<u>251,648</u>	<u>( 12,295)</u>	<u>239,353</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	( 231,706)	( 92,461)	( 324,167)
Land value increment tax	( 509,365)	-	( 509,365)
Others	<u>( 21,883)</u>	<u>9,577</u>	<u>( 12,326)</u>
	<u>( 762,954)</u>	<u>( 82,904)</u>	<u>( 845,858)</u>
	<u>(\$ 511,306)</u>	<u>(\$ 95,199)</u>	<u>(\$ 606,505)</u>

	<u>Year ended December 31, 2016</u>		
	Recognized in		
	<u>January 1</u>	<u>profit or loss</u>	<u>December 31</u>
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,388	\$ 102	\$ 10,490
Provision for after-sale service	209,435	( 24,274)	185,161
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	18,249	( 5,556)	12,693
Others	<u>13,958</u>	<u>15,440</u>	<u>29,398</u>
	<u>265,936</u>	<u>( 14,288)</u>	<u>251,648</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	( 177,415)	( 54,291)	( 231,706)
Land value increment tax	( 509,365)	-	( 509,365)
Others	<u>( 9,666)</u>	<u>( 12,217)</u>	<u>( 21,883)</u>
	<u>( 696,446)</u>	<u>( 66,508)</u>	<u>( 762,954)</u>
	<u>(\$ 430,510)</u>	<u>(\$ 80,796)</u>	<u>(\$ 511,306)</u>

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

E. 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:

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

F. 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.

(24) Earnings per share

	<u>Year ended December 31, 2017</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$10,115,607</u>	<u>546,179</u>	<u>\$ 18.52</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	10,115,607	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>427</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$10,115,607</u>	<u>546,606</u>	<u>\$ 18.51</u>
	<u>Year ended December 31, 2016</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$10,740,039</u>	<u>546,179</u>	<u>\$ 19.66</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	10,740,039	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>421</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$10,740,039</u>	<u>546,600</u>	<u>\$ 19.65</u>

(25) Operating leases

A. Lessor

The Company leases its land and office building to related and non-related parties under operating lease agreements with terms between 1 to 5 years. Future expected rental income are as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Up to 1 year	\$ 31,629	\$ 200,276
1 to 5 years	<u>41,322</u>	<u>20,847</u>
	<u>\$ 72,951</u>	<u>\$ 221,123</u>

B. Lessee

The Company leases business premises from related and non-related parties with lease terms between 3 and 10 years. Rental expenses recognized in operating expense for the years ended December 31, 2017 and 2016 are \$44,838 and \$41,937, respectively. Future expected rental expenses are as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Up to 1 year	\$ 15,267	\$ 19,785
1 to 5 years	<u>24,941</u>	<u>38,491</u>
	<u>\$ 40,208</u>	<u>\$ 58,276</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Toyota Motor Asia Pacific Pte (TMAP)	Entities controlled by key management
Toyota Kirloskar Motor Pvt. Ltd	Entities controlled by key management
Toyota Motor Manufacturing Turkey Inc.	Entities controlled by key management
Toyota Motor Philippines Corporation	Entities controlled by key management
Toyota-Motor-Europe-Nv/Sa	Entities controlled by key management
Toyota-Motor-Sales-USA	Entities controlled by key management
Toyota Motor Corporation (TMC)	Entities controlled by key management
Hino Motors, Ltd.	Entities controlled by key management
Ho Chuang Insurance Agency Co., Ltd.	Entities controlled by key management
Ho An Insurance Agency Co., Ltd.	Entities controlled by key management
Ho Yu Investment Co., Ltd.	Entities controlled by key management
Ho Tai Service & Marketing Co., Ltd.	Subsidiary
Carmax Co., Ltd. (Carmax)	Subsidiary
Chang Yuan Motor Co., Ltd. (Chang Yuan)	Subsidiary
Toyota Material Handling Taiwan Ltd.	Subsidiary
Doroman Autoparts Co., Ltd.	Subsidiary
Hotai Insurance Co., Ltd.	Subsidiary
Ho Tai Development Co., Ltd.	Subsidiary
Ho Tai Cyber Connection Co., Ltd.	Subsidiary
Hotong Motor Investment Co., Ltd.	Subsidiary
Hotai Leasing Co., Ltd.	Subsidiary
Hotai Finance Co., Ltd.	Subsidiary
Eastern Motor Co., Ltd.	Subsidiary
Hozan Investment Co., Ltd.	Subsidiary
Kuozui Motors, Ltd. (Kuozui)	Associate
Kuotu Motor Co.,Ltd. (Kuotu)	Associate
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associate
Central Motor Co ., Ltd. (Central Motor)	Associate
Tau Miao Motor Co., Ltd. (Tau Miao)	Associate
Nan Du Motor Co., Ltd. (Nan Du)	Associate
Kau Du Automobile Co., Ltd. (Kau Du)	Associate
Formosa Flexible Packaging Corp.	Associate
Yokohama Tire Taiwan Co.,Ltd.	Associate

Names of related parties	Relationship with the Company
Fan Tai Transportation Co., Ltd.	Associate
Hua Tai Transportation Co., Ltd.	Associate
Yi Tai Transportation Co., Ltd.	Associate
Lang Yang Toyota Motor Co., Ltd.	Associate
Zhong Cheng Motors Co., Ltd.	Associate
Hozao Enterprise Co.,Ltd.	Associate
Hohung Motors Co., Ltd.	Associate
Horung Motors Co., Ltd.	Associate

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2017	2016
(a) Sales of goods:		
-Associates		
Central Motor	\$ 22,865,146	\$ 23,057,057
Tau Miao	21,331,748	21,113,662
Taipei Motor	17,152,351	16,924,153
Kau Du	15,274,706	15,022,821
Kuotu	14,480,026	12,961,396
Nan Du	13,661,850	13,217,116
Others	2,305,606	2,307,523
-Subsidiaries	3,836,981	4,455,008
-Entities controlled by key management	<u>710</u>	<u>1,112</u>
	<u>\$ 110,909,124</u>	<u>\$ 109,059,848</u>

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

	Years ended December 31,	
	2017	2016
(b) Service revenue:		
-Associates	\$ 27,867	\$ 27,193
-Subsidiaries		
Chang Yuan	839,767	886,945
Others	<u>51</u>	<u>1,528</u>
	<u>\$ 867,685</u>	<u>\$ 915,666</u>

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(c) Interest income:		
-Associates		
Central Motor	\$ 10,633	\$ 11,229
Tau Miao	9,910	10,283
Taipei Motor	7,993	8,271
Kau Du	7,088	7,296
Kuotu	6,646	6,264
Others	7,391	7,519
-Subsidiaries	<u>1,410</u>	<u>1,650</u>
	<u>\$ 51,071</u>	<u>\$ 52,512</u>

Interest income is interest arising from sales between transaction dates and collection dates. 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%.

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(d) Rental revenue:		
-Associates		
Kuotu	\$ 81,735	\$ 75,139
Others	16,155	12,928
-Subsidiaries		
Chang Yuan	64,812	63,259
Hotai Leasing	11,699	19,440
Others	19,644	24,793
-Entities controlled by key management	<u>817</u>	<u>1,029</u>
	<u>\$ 194,862</u>	<u>\$ 196,588</u>

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(e) Contracted operating revenue (listed as operating revenue)		
-Associates		
Kuotu	<u>\$ 22,160</u>	<u>\$ 25,756</u>



	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(f) Warranty revenue (shown as deductions to warranty costs)		
-Associates		
Kuozui	\$ 213,936	\$ 333,865
Others	-	1
-Subsidiaries		
Carmax	16,361	15,330
Others	-	230
-Entities controlled by key management		
TMAP	638,244	518,176
Others	<u>2,130</u>	<u>3,632</u>
	<u>\$ 870,671</u>	<u>\$ 871,234</u>

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(g) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates		
Kuotu	\$ 106,717	\$ 129,612
Others	121,392	99,901
-Subsidiaries	13,756	16,677
-Entities controlled by key management		
TMC	48,423	61,563
Others	<u>8,174</u>	<u>30,964</u>
	<u>\$ 298,462</u>	<u>\$ 338,717</u>

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(h) Distribution income (shown as deductions on freight)		
-Associates		
Kuotu	\$ 29,503	\$ 34,968
-Subsidiaries	<u>7</u>	<u>-</u>
	<u>\$ 29,510</u>	<u>\$ 34,968</u>

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(i) Miscellaneous income		
-Associates		
Kuotu	\$ 121,321	\$ 136,279
Kuozui	96,741	112,438
Others	74,984	69,146
-Subsidiaries		
Chang Yuan	67,396	21,268
Others	95,754	113,353
-Entities controlled by key management	<u>27,613</u>	<u>33,588</u>
	<u>\$ 483,809</u>	<u>\$ 486,072</u>

## B. Expenditures

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(a) Purchase of goods:		
-Associates		
Kuozui	\$ 40,443,959	\$ 45,838,144
Others	748,109	715,214
-Subsidiaries	1,577,133	1,209,319
-Entities controlled by key management		
TMC	34,435,637	34,867,033
Others	<u>4,021,108</u>	<u>3,110,240</u>
	<u>\$ 81,225,946</u>	<u>\$ 85,739,950</u>

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(b) Interest expense:		
-Associates		
Kuozui	<u>\$ 14,115</u>	<u>\$ 16,789</u>

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%.

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(c) Rental expenses:		
-Associates		
Kuozui	\$ 6,044	\$ 6,012
Others	8	14
-Subsidiaries		
Hotai Leasing	17,699	17,512
Others	1,381	1,308
-Entities controlled by key management	<u>20</u>	<u>-</u>
	<u>\$ 25,152</u>	<u>\$ 24,846</u>

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(d) Warranty cost:		
-Associates		
Central Motor	\$ 156,560	\$ 144,187
Tau Miao	146,868	132,174
Kuotu	121,910	127,775
Kau Du	95,517	80,668
Nan Du	93,259	72,692
Others	91,187	81,114
-Subsidiaries		
Chang Yuan	99,956	187,830
Others	<u>12,372</u>	<u>9,940</u>
	<u>\$ 817,629</u>	<u>\$ 836,380</u>

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
(e) Advertisement expense:		
-Associates	\$ 53,222	\$ 47,484
-Subsidiaries	17,062	18,832
-Entities controlled by key management	<u>8,200</u>	<u>6,480</u>
	<u>\$ 78,484</u>	<u>\$ 72,796</u>

C. Receivables from (payables to) related parties

	December 31,	
	2017	2016
(a) Receivables from related parties:		
-Associates		
Kuotu	\$ 526,711	\$ 189,933
Central Motor	456,014	346,479
Tau Miao	415,927	196,873
Taipei Motor	401,463	198,448
Kau Du	316,393	252,749
Nan Du	239,974	233,487
Others	50,339	20,011
-Subsidiaries	278,918	162,989
-Entities controlled by key management	35	34
	<u>\$ 2,685,774</u>	<u>\$ 1,601,003</u>
(b) Other receivables from related parties:		
-Associates		
Kuozui	\$ 40,296	\$ 58,807
Others	218,094	66,906
-Subsidiaries	36,827	44,949
-Entities controlled by key management	796	1,331
	<u>\$ 296,013</u>	<u>\$ 171,993</u>
(c) Payables to related parties:		
-Associates	\$ 339,382	\$ 1,109,533
-Subsidiaries	169,917	149,125
-Entities controlled by key management		
TMC	4,273,475	4,023,207
Others	380,207	382,001
	<u>\$ 5,162,981</u>	<u>\$ 5,663,866</u>
(d) Other payables		
-Associates	\$ 374,345	\$ 144,034
-Subsidiaries	66,811	56,344
-Entities controlled by key management	562	172
	<u>\$ 441,718</u>	<u>\$ 200,550</u>

(3)Endorsements and guarantees provided to related parties:

	December 31,	
	2017	2016
-Subsidiaries	USD 74,900	USD 91,400
	TWD 921,674	TWD 7,828,544

(4)Key management remuneration

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 291,359	\$ 333,604

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Details of operating lease agreements are provided in Note 6(25).

(2)Significant contracts signed by the Company as of December 31, 2017 are summarized as follows:

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the appropriation of retained earnings of 2017, please refer to Note 6(17).

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Management has set up a policy to require management of foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company enters into forward exchange contracts, through finance department. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- ii. The Company's businesses involve some non-functional currency operations (the functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		<u>December 31, 2017</u>		
		Foreign currency amount <u>(In thousands)</u>	Exchange rate	Book value <u>(NTD)</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	USD 132	29.7600	\$ 3,928
	JPY:NTD	JPY 39,372	0.2642	10,402
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	USD 182,511	29.7600	\$ 5,431,527
	JPY:NTD	JPY 30,001	0.2642	7,926

					<u>December 31, 2016</u>		
					Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	USD	1,154	32.2500	\$	37,217	
	JPY:NTD	JPY	23,658	0.2756		6,520	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD:NTD	USD	173,265	32.2500	\$	5,587,796	
	JPY:NTD	JPY	29,515	0.2756		8,134	

iii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016, amounted to \$281,474 and \$34,406, respectively.

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

					<u>Year ended December 31, 2017</u>		
					<u>Sensitivity analysis</u>		
					<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<b>(Foreign currency: functional currency)</b>							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	1%	\$	39	\$	-	
	JPY:NTD	1%		104		-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD:NTD	1%		54,315		-	
	JPY:NTD	1%		79		-	



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

Price risk and interest rate risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal ratings are accepted.
- ii. For the years ended December 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant loss from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(4).

(c) Liquidity risk

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

Non-derivative financial liabilities:

<u>December 31, 2017</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 809,713	\$ -	\$ -
Accounts payable	7,850,006	-	-
Other payables	2,139,638	-	-

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

(3)Fair value information

- A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).
- B. The different levels of valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Bond investment	\$ -	\$ 500,000	\$ -	\$ 500,000
Equity securities	<u>586,299</u>	<u>-</u>	<u>243,265</u>	<u>829,564</u>
	<u>\$ 586,299</u>	<u>\$ 500,000</u>	<u>\$ 243,265</u>	<u>\$ 1,329,564</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 96,003</u>	<u>\$ -</u>	<u>\$ 96,003</u>
<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,700,366	\$ -	\$ -	\$ 2,700,366
Forward exchange contracts	-	126,282	-	126,282
Available-for-sale financial assets				
Equity securities	<u>562,872</u>	<u>-</u>	<u>224,012</u>	<u>786,884</u>
	<u>\$ 3,263,238</u>	<u>\$ 126,282</u>	<u>\$ 224,012</u>	<u>\$ 3,613,532</u>

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

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

are as follows by characteristics:

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

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active markets, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
- E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 224,012	\$ 260,635
Gains and losses recognized in other comprehensive income (Note)	19,253 (	13,591)
Proceeds from capital reduction	_____ -	( _____ 23,032)
At December 31	<u>\$ 243,265</u>	<u>\$ 224,012</u>

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

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

inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at <u>December 31, 2017</u>	<u>Valuation technique</u>	Significant <u>unobservable input</u>	Range <u>(weighted average)</u>	Relationship of <u>inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 243,265	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value
	Fair value at <u>December 31, 2016</u>	<u>Valuation technique</u>	Significant <u>unobservable input</u>	Range <u>(weighted average)</u>	Relationship of <u>inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 224,012	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2017 and 2016.

### 13. SUPPLEMENTARY DISCLOSURES

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

#### A. Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to 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)	Contract Period	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 Finance Co., Ltd.	Forward foreign exchange contracts	USD 26,800	2018.2.27	7,714	7,714
Hotai Finance Co., Ltd.	Currency swaps	USD 145,000	2018.4.13~ 2020.3.13	( 353,279)	( 353,279)
Hotai Finance Co., Ltd.	Currency swaps	JPY 3,100,000	2018.9.18	( 40,175)	( 40,175)
Hoyun International Lease Co., Ltd.	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

Not applicable.

HO TAI MOTOR CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

Item	Description	Amount
Petty cash		\$ 350
Checking accounts		4,957
Demand deposits		
-NTD		498,990
-USD	USD 132 thousand, conversion rate 29.76	3,928
-JPY	JPY 39,372 thousand, conversion rate 0.2642	10,402
Cash equivalents		
Short-term notes and bills	Maturity 1 month, interest rates at 0.35%~0.39%	4,497,018
		<u>\$ 5,015,645</u>

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HO TAI MOTOR CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2017

(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

Item	Amount		Footnote
	Cost	Net realizable value	
Vehicles	\$ 447,833	\$ 447,833	
Parts	625,702	561,124	
Inventory in transit	2,170,630	2,170,630	
	3,244,165	<u>\$ 3,179,587</u>	
Less: Allowance for inventory obsolescence	( 64,578)		
	<u>\$ 3,179,587</u>		

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**HO TAI MOTOR CO., LTD.**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2017**  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

Investee	Balance at January 1, 2017		Additions		Deductions		Balance at December 31, 2017			Net equity value		Collateral pledged
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership (%)	Amount	Unit price (In dollars)	Total amount	
Hozan Investment Co., Ltd.	-	\$ 8,247,139	-	\$ 8,514,377	-	(\$ 571,406)	-	100.00%	\$ 16,190,110	\$ -	\$ 16,190,110	None
Kuozui Motors, Ltd.	103,800,000	4,396,283	-	1,071,627	-	( 858,692)	103,800,000	30.00%	4,609,218	45	4,671,000	"
Chang Yuan Motor Co., Ltd.	265,000,000	3,581,958	26,320,000	235,843	-	-	291,320,000	100.00%	3,817,801	13	3,787,160	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	58,897,360	3,334,725	-	564,507	-	( 59,451)	58,897,360	100.00%	3,839,781	66	3,887,226	"
Central Motor Co., Ltd.	15,000,000	2,408,428	-	95,478	-	( 55,041)	15,000,000	20.00%	2,448,865	106	1,590,000	"
Ho Tai Development Co., Ltd.	24,710,856	1,955,535	-	320,373	-	( 98,843)	24,710,856	45.01%	2,177,065	89	2,199,266	"
Tau Miau Motor Co., Ltd.	15,153,573	1,406,260	-	40,730	-	( 60,592)	15,153,573	20.00%	1,386,398	62	939,522	"
Kau Du Automobile Co., Ltd.	22,161,150	1,331,838	-	35,960	-	( 48,755)	22,161,150	20.00%	1,319,043	37	819,963	"
Carmax Co., Ltd.	22,950,000	1,135,160	-	395,239	-	( 356,533)	22,950,000	51.00%	1,173,866	51	1,170,450	"
Taipei Toyota Motor Co., Ltd.	25,438,987	918,131	-	54,126	-	( 56,326)	25,438,987	34.81%	915,931	44	1,119,315	"
Kuotu Motor Co., Ltd.	17,553,761	914,894	-	51,724	-	( 18,380)	17,553,761	20.05%	948,238	54	947,903	"
Nan Du Motor Co., Ltd.	14,806,073	870,861	-	74,422	-	( 51,948)	14,806,073	23.67%	893,335	61	903,170	"
Toyota Material Handling Taiwan Ltd.	48,816,929	693,258	-	120,599	-	( 94,272)	48,816,929	100.00%	719,585	15	732,254	"
Eastern Motor Co., Ltd.	28,606,219	343,316	3,529,982	15,448	-	-	32,136,201	100.00%	358,764	11	353,498	"
Lang Yang Toyota Motor Co., Ltd.	2,000,000	282,242	-	6,592	-	( 7,400)	2,000,000	20.00%	281,434	75	150,000	"
Formosa Flexible Packaging Corp.	1,007,609	263,309	-	11,490	-	( 1,042)	1,007,609	45.54%	273,757	286	288,176	"
Shi-Ho Screw Industrial Co., Ltd.	211,433	131,726	-	12,988	-	( 13,092)	211,433	21.14%	131,622	608	128,551	"
Yokohama Tire Taiwan Co., Ltd.	3,000	119,531	-	16,726	-	( 15,577)	3,000	25.00%	120,680	41,467	124,401	"
Smart Design Technology Co., Ltd.	960,961	10,653	-	755	-	-	960,961	20.00%	11,408	12	11,532	"
		<u>\$ 32,345,247</u>		<u>\$ 11,639,004</u>		<u>( \$ 2,367,350)</u>			<u>\$ 41,616,901</u>			

HO TAI MOTOR CO., LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

Item	Balance as of January 1, 2017	Additions	Deductions	Reclassifications	Balance as of December 31, 2017	Guaranteed or Pledged as collateral
<b>Land</b>						
Cost	\$ 2,143,310	\$ -	\$ -	\$ -	\$ 2,143,310	None
Less: Accumulated impairment	( 26,850)	-	-	-	( 26,850)	"
Subtotal	2,116,460				2,116,460	"
Revaluation gain	931,497	-	-	-	931,497	"
<b>Buildings and structures</b>						
Cost	1,196,420	22,425	-	-	1,218,845	"
Revaluation gain	96	-	-	-	96	"
Utility equipment	128,832	178	-	-	129,010	"
Office equipment	532,236	17,620	( 26,023 )	2,926	526,759	"
Others	5,512	591	-	-	6,103	"
Rental assets	102,176	362	-	-	102,538	"
Construction in progress	2,926	11,237	-	( 2,926 )	11,237	"
	<u>\$ 5,016,155</u>	<u>\$ 52,413</u>	<u>( \$ 26,023 )</u>	<u>\$ -</u>	<u>\$ 5,042,545</u>	

HO TAI MOTOR CO., LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5

Item	Balance as of January 1, 2017	Additions	Deductions	Reclassifications	Balance as of December 31, 2017	Footnote
Buildings and structures	\$ 631,444	\$ 32,446	\$ -	\$ -	\$ 663,890	
Utility equipment	126,505	581	-	-	127,086	
Office equipment	430,879	29,229	( 25,294)	-	434,814	
Others	4,916	192	-	-	5,108	
Rental assets	102,171	5	-	-	102,176	
	<u>\$ 1,295,915</u>	<u>\$ 62,453</u>	<u>( \$ 25,294)</u>	<u>\$ -</u>	<u>\$ 1,333,074</u>	

HO TAI MOTOR CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

Item	Balance as of January 1, 2017	Additions	Deductions	Reclassifications	Balance as of December 31, 2017	Guaranteed or Pledged as collateral
Land						
Cost	\$ 755,900	\$ -	\$ -	\$ -	\$ 755,900	None
Revaluation gain	742,263	-	-	-	742,263	"
Buildings and structures						"
Cost	991,395	-	-	-	991,395	"
Revaluation gain	11,983	-	-	-	11,983	"
	<u>\$ 2,501,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,501,541</u>	

HO TAI MOTOR CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

<u>Item</u>	<u>Balance as of January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>Balance as of December 31, 2017</u>	<u>Footnote</u>
Buildings and structures	\$ 459,051	\$ 26,200	\$ -	\$ -	\$ 485,251	

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HO TAI MOTOR CO., LTD.  
STATEMENT OF SHORT-TERM LOANS  
December 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

<u>Type</u>	<u>Description</u>	<u>Balance as of December 31, 2017</u>	<u>Contract period</u>	<u>Range of interest rate (%)</u>	<u>Loans Commitments</u>	<u>Pledges or collaterals</u>	<u>Footnote</u>
Unsecured borrowings	Mizuho Bank	\$ 377,952	2017/12/15~2018/1/16	1.91%	1,000,000	None	
	Credit Agricole & Investment Bank	297,600	2017/12/15~2018/1/16	1.95%	600,000	"	
	Citibank Taipei	134,161	2017/12/15~2018/1/16	1.91%~1.92%	952,320	"	
		<u>\$ 809,713</u>					

Note: Interest rate between 1.91%~1.95%.

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HO TAI MOTOR CO., LTD.  
STATEMENT OF OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

Item	Quantity	Amount	Footnote
Sales revenue of vehicles			
Sedan	117,347 cars	\$ 102,011,869	
Others	172 cars	416,630	
Sales revenue of parts		11,280,497	
Others		<u>1,267,688</u>	
Subtotal		114,976,684	
Sales returns and allowance		( <u>2,712,514</u> )	
		<u>\$ 112,264,170</u>	

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HO TAI MOTOR CO., LTD.  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

Item	Description	Amount	Footnote
Initial inventories		\$ 5,554,393	
Add: Merchandise purchase		100,079,795	
Others		113,548	
Less: Ending inventories		( 3,244,165)	
Reclassified to fixed assets and expenses		( 18,641)	
Loss on physical inventory observation		398	
Others		( 25,382)	
Operating costs		<u>\$ 102,459,946</u>	

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HO TAI MOTOR CO., LTD.  
STATEMENT OF SELLING EXPENSES  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 11

Item	Description	Amount	Footnote
Wages and salaries		\$ 584,742	Including pension costs
Advertisement expense		682,869	
Freight		255,080	
Miscellaneous		445,901	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 1,968,592</u>	

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HO TAI MOTOR CO., LTD.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEAR ENDED DECEMBER 31, 2017  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

Item	Description	Amount	Footnote
Wages and salaries		\$ 1,016,560	Including pension costs
Miscellaneous disbursements		82,010	
Others		277,225	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 1,375,795</u>	

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HO TAI MOTOR CO., LTD.  
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION  
YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

By nature \ By function	Years ended December 31,					
	2017			2016		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ -	\$ 1,574,616	\$ 1,574,616	\$ -	\$ 1,518,869	\$ 1,518,869
Labour and health insurance fees	-	61,569	61,569	-	58,506	58,506
Pension costs	-	26,686	26,686	-	26,645	26,645
Other employee benefit expenses	-	87,515	87,515	-	81,338	81,338
Subtotal	-	1,750,386	1,750,386	-	1,685,358	1,685,358
Depreciation	-	88,653	88,653	-	86,288	86,288
Amortization	-	-	-	-	-	-

Note: As of December 31, 2017 and 2016, the Company had 550 and 562 employees, respectively.

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## 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	Balance at	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
					December 31, 2017	December 31, 2017							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		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
		Company name	Relationship with the endorser/guarantor											
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 its total equity; the limit on endorsement 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 Handling Taiwan Ltd., the limited on total endorsement is no more than 50% of its total equity; 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

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock – Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	\$ 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	
Ho Tai Development Co., Ltd.	-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	
	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

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investee	Balance as at January 1, 2017		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2017	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		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 disclosed as it is an insurance company.



Ho Tai Motor Co., Ltd.  
Acquisition of individual 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	Prior transaction of related counterparty				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments	
						Relationship with the counterparty	Owner	Relationship	Transfer date				Amount
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

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
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 Automobile 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 Miao 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 Miao 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	"	"	-	-	
Shanghai 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 Miao 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			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 1,333,449	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		Shares held as at December 31, 2017			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
				Balance at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
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 Miao 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		Shares held as at December 31, 2017			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
				Balance at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	\$ 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 accessories	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	-	"
Zaozhong 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