HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Ho Tai Motor Co., Ltd.
March 26, 2019

REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR18000473
To the Board of Directors and Shareholders of
Ho Tai Motor Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to "other matter" section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance" and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standard Interpretations Committee (SIC) Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

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

Description

Please refer to Note 4(11) to the consolidated financial statements for accounting policies on provision for impairment of accounts receivable; Note 5(2) D for uncertainty of accounting estimate and assumptions of provisions for impairment of accounts receivable, and Note 6(5) for the details of accounts receivable.

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

When accounts receivable are past due over 30 days, the Company already considers the collectability of those accounts in doubt. In addition to enhancing the collection process from customers, management also assesses 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 and considering forward-looking factors such as the future economic conditions. Management evaluates the individual circumstances of each overdue amount to decide whether to measure the loss allowance.

The assessment above involves management’s judgement and factors on multiple factors that may be affected by the past events, current conditions, and the future economic conditions. The results will directly influence the amounts recognized. Therefore, the estimation of the loss allowance 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 (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report system.

2. For those accounts past due over 30 days, the Company will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and the Company's policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past years, and the forward-looking information, to evaluate the reasonableness of the provision for impairment policy. In addition, we sampled and examined the group category of expected credit losses report, and checked the consistency with system information.

3. Examined and evaluated samples of the categorized group report of the loss of expected credit and compared it with the system information.

Valuation of the provisions for warranty

Description

Please refer to Note 4(30) to the consolidated financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimate and assumptions of provisions for warranty, and Note 6(21) for details of the provisions for warranty.

In order to enhance customer's confidence on product quality, in addition to the warranty offered by the original manufacturer, the Company provides an additional warranty extension free of charge for customers in Taiwan driving Toyota cars. Since the provisions for warranty involves massive historical data as well as complex calculation in respect of maintenance and repair experience, it was identified as a key audit matter.

How our audit addressed the matter

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

1. In terms of the agent brands, obtained the car sold information that met the warranty items the Company offered, cars' maintenance details as well as 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. Evaluated and recalculated the reasonableness of provision for warranty

by considering the warranty average claimed cost from each agent brand.

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

Description

Please refer to Note 4(37) to the consolidated financial statements for the accounting policies on claims reserve (including ceded claims), Note 5(2) E for uncertainty of accounting estimate and assumptions of claims reserve (including ceded claims), and Note 6(9) for details of claims reserve and ceded claims reserve.

The claims reserve (including ceded claims) of Hotai Insurance, the significant subsidiary of Ho Tai Motor Co., Ltd., is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department's historical claims development trend and experience, etc. As of December 31, 2018, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT$2,601,984 thousand and NT$634,445 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 sampled and inspected the effectiveness of controls related to claims reserve on a sample basis.

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

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

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

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

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

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

Other matter – Using the work of other independent accountants

We did not audit the financial statements of investments recognized under the equity method that are included in the financial statements. Investments using equity method amounted to NT$ 5,640,440 thousand and NT$ 5,605,858 thousand as at December 31, 2018 and 2017, constituting 2.46% and 2.71% of consolidated total assets, respectively. For the years ended December 31, 2018 and 2017, the comprehensive income amounted to NT$ 180,387 thousand and NT$ 275,986 thousand, constituting 1.68% and 2.39% of consolidated total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with an other matter paragraph on the parent company only financial statements of Ho Tai Motor Co., Ltd. as of and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chin-Mu, Hsiao　　　　Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan
March 26, 2019

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current Assets					
1100	Cash and cash equivalents	6(1)	$ 9,469,088	4	$ 15,041,676	7
1120	Financial assets at fair value through profit or loss-current	6(2) and 12(13)	3,772,918	2	764,921	-
1125	Financial assets at fair value through other comprehensive income-current	6(3)	267,421	-	-	-
1130	Available-for-sale financial assets-current	12(13)	-	-	1,616,954	1
1150	Derivative financial assets for hedging-current	6(4) and 12(13)	70,038	-	-	-
1190	Other financial assets-current	6(1) and 8	2,219,628	1	2,765,768	1
1195	Contract assets-current	6(26)	18,780	-	-	-
1201	Notes receivable	6(5), 7 and 8	9,300,979	4	9,395,216	5
1202	Accounts receivable	6(5), 7 and 8	111,449,621	49	98,658,306	48
1203	Other receivables	7	1,911,161	1	1,331,076	1
1270	Inventories	6(7)	10,017,654	4	7,209,935	3
1280	Prepayments	6(8)	6,517,069	3	5,838,327	3
1290	Non-current assets held for sale (or disposal group), net		15,767	-	-	-
1310	Reinsurance contract assets, net	6(9)	1,225,913	-	861,401	-
	Total current assets		156,256,037	68	143,483,580	69
	Non-current assets					
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,000,000	-	-	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	7,886,843	3	-	-
1420	Available-for-sale financial assets-non-current	12(13)	-	-	5,622,117	3
1470	Investments accounted for using equity method	6(10)	14,448,509	6	14,479,827	7
1480	Other financial assets-non-current	6(1)	60,657	-	194,878	-
1500	Property, plant and equipment, net	6(11)	41,852,407	18	34,993,759	17
1600	Investment property, net	6(12)	1,846,459	1	1,857,722	1
1700	Intangible assets, net	6(13)	1,224,857	1	1,208,992	1
1800	Deferred income tax assets, net	6(31)	1,170,731	1	999,088	-
1900	Other assets	6(5)(9)(14)	3,639,205	2	3,753,523	2
	Total non-current assets		73,129,668	32	63,109,906	31
1XXX	**Total Assets**		$ 229,385,705	100	$ 206,593,486	100

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current Liabilities					
2110	Short-term loans	6(15)	$ 62,900,378	27	$ 43,509,601	21
2120	Short-term notes and bills payable	6(16)	47,871,914	21	55,084,146	27
2140	Financial liabilities at fair value through profit or loss-current	6(2)	19,047	-	96,003	-
2150	Derivative financial liabilities for hedging-current	6(4) and 12(13)	52,424	-	403,699	-
2165	Contract liabilities-current	6(26)	994,964	-	-	-
2201	Notes payable		156,296	-	202,209	-
2202	Accounts payable	7	10,960,404	5	10,501,308	5
2203	Accrued expenses	6(19) and 7	4,844,381	2	4,804,814	2
2204	Other payables		1,458,313	1	1,227,628	1
2250	Commissions payable	7	360,108	-	276,736	-
2260	Due to reinsurance and ceding companies		399,968	-	278,262	-
2270	Claims payable		13,080	-	40,190	-
2310	Current income tax liabilities		2,050,170	1	1,646,741	1
2320	Advance receipts		274,865	-	1,121,680	-
2330	Long-term liabilities-current portion	6(17)(18)	7,947,522	4	3,899,034	2
2350	Other current liabilities	6(9)(21)(22)	10,185,894	5	8,390,622	4
	Total current liabilities		150,489,728	66	131,482,673	63
	Non-current liabilities					
2550	Long-term loans	6(18)	4,086,168	2	4,844,412	3
2600	Provisions	6(9)(21)	4,727,295	2	4,584,964	2
2620	Guarantee deposits received	6(22)	9,133,047	4	8,535,744	4
2630	Deferred income tax liabilities	6(31)	2,581,556	1	2,160,455	1
2660	Other liabilities		131,953	-	109,090	-
	Total non-current liabilities		20,660,019	9	20,234,665	10
2XXX	**Total liabilities**		171,149,747	75	151,717,338	73
	Equity attributable to shareholders of the parent					
	Share capital	6(23)				
3110	Common stock		5,461,792	2	5,461,792	3
	Capital surplus	6(24)				
3200	Capital surplus		292,159	-	263,060	-
	Retained earnings	6(25)				
3310	Legal reserve		10,348,282	5	9,336,721	5
3320	Special reserve		381,843	-	381,843	-
3330	Unappropriated earnings		32,983,752	14	30,517,783	15
	Other equity					
3400	Other equity		(132,102)	-	694,102	-
31XX	**Total equity attributable to shareholders of the parent**		49,335,726	21	46,655,301	23
32XX	**Non-controlling interest**		8,900,232	4	8,220,847	4
3XXX	**Total equity**		58,235,958	25	54,876,148	27
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after balance sheet date	11				
	Total liabilities and equity		$ 229,385,705	100	$ 206,593,486	100

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Revenues					
4010	Interest income	6(3)(26)(27) and 7	$ 8,170,708	4	$ 6,083,055	3
4020	Premiums revenue	6(28) and 7	4,675,980	3	3,192,344	2
4040	Reinsurance commission revenue		253,713	-	129,713	-
4050	Fee income		11,201	-	10,741	-
4060	Share of profit of associates and joint ventures accounted for using equity method	6(10)	1,006,530	1	1,556,292	1
4100	Realized gains on available-for-sale financial assets		-	-	189,771	-
4105	Realized gains on financial assets at fair value through other comprehensive income		146,499	-	-	-
4160	**Net sales revenue**	6(26) and 7				
4161	Sales revenue		163,665,294	88	159,934,750	89
4162	Sales returns		(1,108,867)	(1)	(1,489,599)	(1)
4163	Sales discounts and allowances		(4,335,156)	(2)	(3,708,783)	(2)
4170	Rental revenue		11,478,288	6	11,215,688	6
4180	Service revenue	6(26) and 7	1,887,310	1	1,936,992	1
4200	Gains on disposals of investments	6(2)	-	-	41,305	-
4210	Gains on disposals of property, plant and equipment		34,487	-	17,753	-
4230	Income from investment property	6(12) and 7	136,194	-	135,513	-
4260	Foreign exchange gains		-	-	312,734	-
4270	Other income		663,383	-	1,253,641	1
4251	Impairment loss and reversal gain on expected credit of investment		(4)	-	-	-
4245	Gains on using overlay approach of investment	6(2)	328,161	-	-	-
4280	Unrealized profit from sales		(58,873)	-	(72,738)	-
4290	Realized profit from sales		72,738	-	35,418	-
	Total revenues		187,027,586	100	180,774,590	100
	Expenses					
5010	Interest expense	7	(1,840,788)	(1)	(1,625,331)	(1)
5030	Underwriting expenses		(195)	-	(148)	-
5040	Commission expenses	7	(2,670,441)	(1)	(2,234,587)	(1)
5050	Claims payment	7	(2,082,829)	(1)	(1,308,748)	(1)
5070	Net changes in other insurance liabilities		(272,344)	-	(199,425)	-
5110	Losses on financial assets (liabilities) at fair value through profit or loss	6(2)	(197,978)	-	(220,675)	-
5190	Cost of sales	6(7) and 7	(140,189,231)	(75)	(137,798,550)	(76)
5200	Cost of rental revenue		(9,241,200)	(5)	(9,536,994)	(5)
5210	Cost of services		(1,057,052)	(1)	(628,482)	(1)
5230	**Operating expenses**	6(29)(30) and 7				
5231	Selling expenses		(8,652,442)	(5)	(7,541,081)	(4)
5232	General and administrative expenses		(4,519,609)	(2)	(5,268,802)	(3)
5233	Research and development expenses		(60,722)	-	(56,474)	-
5281	Impairment loss and reversal gain on non-expected credit of investment	12(5)	2,675	-	-	-
5285	Expected credit impairment loss		(878,508)	(1)	-	-
5240	Loss on disposal of investments		(22,143)	-	-	-
5270	Expenses and losses from investment property	6(12)	(29,102)	-	(26,723)	-
5290	Foreign exchange loss		(11,073)	-	-	-
5320	Other expenses		(109,330)	-	(44,528)	-
	Total expenses		(171,832,312)	(92)	(166,490,548)	(92)
6100	**Income before income tax from continuing operation**		15,195,274	8	14,284,042	8
6200	Income tax expense	6(31)	(3,595,444)	(2)	(2,719,447)	(2)
6500	**Profit for the year**		$ 11,599,830	6	$ 11,564,595	6

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			2018		2017	
	Items	Notes	Amount	%	Amount	%
	Other comprehensive income (loss) for the year					
	Components of other comprehensive income (loss) that may not be reclassified to profit or loss					
6617	Gain from investments in equity instruments measured at fair value through other comprehensive income		($ 351,062)	-	$ -	-
6625	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(32,876)	-	(44,027)	-
6610	**Total components of other comprehensive income (loss) that may not be reclassified to profit or loss**		(383,938)	-	(44,027)	-
6650	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**					
6651	Financial statement translation differences of foreign operations		(126,907)	-	(53,096)	-
6653	Unrealized gains from available-for-sale financial assets	12(13)	-	-	42,975	-
6659	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	6(3)	41,686	-	-	-
6655	Loss on effective portion of cash flow hedges	6(4)	-	-	(22,335)	-
6661	Gain on hedging instrument	6(4)	(36,744)	-	-	-
6675	Other comprehensive income reclassified by using overlay approach	6(2)	(328,161)	-	-	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using equity method - components of other comprehensive income		(29,461)	-	49,040	-
6689	Income tax related to components of other comprehensive income	6(31)	9,610	-	2,872	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss		(469,977)	-	19,456	-
6600	**Other comprehensive loss for the year**		($ 853,915)	-	($ 24,571)	-
6700	**Total comprehensive income for the year**		$ 10,745,915	6	$ 11,540,024	6
	Profit attributable to:					
6810	Owners of parent		$ 10,025,535	5	$ 10,115,607	5
6820	Non-controlling interests		1,574,295	1	1,448,988	1
			$ 11,599,830	6	$ 11,564,595	6
	Comprehensive income attributable to:					
6910	Owners of parent		$ 9,205,476	5	$ 10,103,209	5
6920	Non-controlling interests		1,540,439	1	1,436,815	1
			$ 10,745,915	6	$ 11,540,024	6
	Earnings per share (in dollars)					
	Basic earnings per share	6(32)	$ 18.36		$ 18.52	
	Diluted earnings per share	6(32)	$ 18.34		$ 18.51	

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to shareholders of the parent													
				Retained earnings			Other equity								
	Notes	Share capital-common stock	Capital surplus – additional paid -in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain from available-for-sale financial assets	Unrealized gains on financial assets at fair value through other compre-hensive income	Other compre-hensive income reclassified by using overlay approach	Loss on effective portion of cash flow hedges	Gain (loss) on hedging instru-ments	Total	Non-controlling interests	Total equity
For the year ended December 31, 2017															
Balance at January 1, 2017		$ 5,461,792	$ 263,060	$ 8,262,717	$ 381,843	$ 28,074,357	($ 111,582)	$ 783,180	$ -	$ -	($ 9,125)	$ -	$ 43,106,242	$ 7,472,847	$ 50,579,089
Profit for the year		-	-	-	-	10,115,607	-	-	-	-	-	-	10,115,607	1,448,988	11,564,595
Other comprehensive income (loss) for the year		-	-	-	-	(44,027)	(82,657)	126,782	-	-	(12,496)	-	(12,398)	(12,173)	(24,571)
Total comprehensive income (loss)		-	-	-	-	10,071,580	(82,657)	126,782	-	-	(12,496)	-	10,103,209	1,436,815	11,540,024
Appropriation and distribution of retained earnings:															
Legal reserve	6(25)	-	-	1,074,004	-	(1,074,004)	-	-	-	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	-	-	-	(6,554,150)	(701,014)	(7,255,164)
Change in non-controlling interests	6(34)	-	-	-	-	-	-	-	-	-	-	-	-	12,199	12,199
Balance at December 31, 2017		$ 5,461,792	$ 263,060	$ 9,336,721	$ 381,843	$ 30,517,783	($ 194,239)	$ 909,962	$ -	$ -	($ 21,621)	$ -	$ 46,655,301	$ 8,220,847	$ 54,876,148
For the year ended December 31, 2018															
Balance at January 1, 2018		$ 5,461,792	$ 263,060	$ 9,336,721	$ 381,843	$ 30,517,783	($ 194,239)	$ 909,962	$ -	$ -	($ 21,621)	$ -	$ 46,655,301	$ 8,220,847	$ 54,876,148
Effects on modified retrospective adjustment	12(13)	-	-	-	-	22,037	-	(909,962)	848,446	39,479	21,621	(21,621)	-	-	-
Balance at January 1, 2018 after retrospective adjustment		5,461,792	263,060	9,336,721	381,843	30,539,820	(194,239)	-	848,446	39,479	-	(21,621)	46,655,301	8,220,847	54,876,148
Profit of the year		-	-	-	-	10,025,535	-	-	-	-	-	-	10,025,535	1,574,295	11,599,830
Other comprehensive income (loss) for the year		-	-	-	-	(15,892)	(133,744)	-	(324,202)	(327,505)	-	(18,716)	(820,059)	(33,856)	(853,915)
Total comprehensive income (loss)		-	-	-	-	10,009,643	(133,744)	-	(324,202)	(327,505)	-	(18,716)	9,205,476	1,540,439	10,745,915
Appropriation and distribution of retained earnings:															
Legal reserve	6(25)	-	-	1,011,561	-	(1,011,561)	-	-	-	-	-	-	-	-	-
Cash dividends	6(25)	-	-	-	-	(6,554,150)	-	-	-	-	-	-	(6,554,150)	(888,464)	(7,442,614)
Changes in equity of associates and joint ventures accounted for using equity method		-	3,050	-	-	-	-	-	-	-	-	-	3,050	776	3,826
Difference between consideration and carrying amount of subsidiaries disposed		-	26,049	-	-	-	-	-	-	-	-	-	26,049	(26,049)	-
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	52,683	52,683
Balance at December 31, 2018		$ 5,461,792	$ 292,159	$ 10,348,282	$ 381,843	$ 32,983,752	($ 327,983)	$ -	$ 524,244	($ 288,026)	$ -	($ 40,337)	$ 49,335,726	$ 8,900,232	$ 58,235,958

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
Cash flows from operating activities			
Consolidated profit before income tax		$ 15,195,274	$ 14,284,042
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(2)	197,978	220,675
Expected credit/loss bad debts expense and financial guarantee expense		1,545,995	1,461,140
Expected credit impairment loss and gain on reversal of investment		4	-
Expected credit impairment loss and gain on reversal of non-investment		(2,675)	-
Depreciation	6(11)(12)(29)	7,963,334	7,847,451
Amortization	6(29)	81,272	62,092
Impairment loss recognized on rental assets	6(11)	(58,391)	172,614
Net gain on disposal of property, plant and equipment (not including rental property)		(34,487)	(17,753)
Share of profit of associates accounted for using equity method	6(10)	(1,006,530)	(1,556,292)
Interest expense		1,840,788	1,625,331
Interest income	6(27)	(8,170,708)	(6,083,055)
Dividend income		(139,156)	(56,590)
Unrealized profit from sales		58,873	72,738
Realized profit from sales		(72,738)	(35,418)
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		(2,040,132)	3,734,425
Contract assets		887	-
Notes and accounts receivable		(14,260,065)	(16,260,982)
Other receivables		(550,627)	302,575
Inventories		1,730,539	6,969,787
Prepayments		(686,970)	1,659,545
Reinsurance contract assets		(174,422)	108,853
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(76,956)	96,003
Contract liabilities		106,417	-
Notes and accounts payable		413,183	663,550
Accrued expenses		8,572	846,047
Other payables		313,215	(169,277)
Commission payable		83,372	(111,157)
Due to reinsurance and ceding companies		121,706	192,942
Claims payable		(27,110)	(167,215)
Advance receipts		(48,032)	(57,681)
Other current liabilities		1,689,369	769,807
Provisions		75,279	(20,495)
Other liabilities		22,863	66,108
Cash inflow generated from operations		4,099,921	16,619,810
Cash dividends received		1,143,424	1,205,181
Interest paid		(1,801,113)	(1,578,709)
Income tax paid		(2,926,165)	(2,340,830)
Interest received		8,174,776	6,091,023
Net cash provided by operating activities		8,690,843	19,996,475

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
Cash flows from investing activities			
Net cash flow from acquisition of subsidiaries		$ -	($ 6,636,836)
Increase in financial assets at fair value through other comprehensive income		(3,796,034)	-
Decrease in available-for-sale financial assets		-	198,223
Decrease (increase) in other financial assets		680,361	(1,216,452)
Acquisition of investments accounted for using equity method	6(10)	(11,064)	(330,629)
Acquisition of property, plant and equipment	6(11)(12)	(19,156,100)	(13,372,411)
Proceeds from disposal of property, plant and equipment (not including rental assets)		65,447	51,916
Acquisition of intangible assets	6(13)	(55,413)	(35,857)
Increase in other assets		(208,121)	(1,728,584)
Acquisition of investment property	6(12)	(9,050)	-
Net cash used in investing activities		(22,489,974)	(23,070,630)
Cash flows from financing activities			
Proceeds from issuance of bonds	6(17)	2,400,000	2,800,000
Increase in short-term loans	6(35)	18,932,720	2,237,597
Proceeds from long-term loans	6(35)	1,992,361	2,649,595
Repayment of long-term loans	6(35)	(1,100,000)	(1,750,000)
(Decrease) increase in short-term notes and bills payable	6(35)	(7,212,232)	7,985,535
Repayments of bonds		-	(1,000,000)
Increase in guarantee deposits received		669,680	542,249
Cash dividends paid	6(25)	(6,554,150)	(6,554,150)
Cash dividends paid from subsidiaries to non-controlling interests		(888,464)	(701,014)
Proceeds from disposal of ownership interests in subsidiaries (without losing control)		52,683	-
Net cash flows provided by financing activities		8,292,598	6,209,812
Net effect of changes in foreign currency exchange rates		(66,055)	(118,496)
(Decrease) increase in cash and cash equivalents		(5,572,588)	3,017,161
Cash and cash equivalents at beginning of year		15,041,676	12,024,515
Cash and cash equivalents at end of year		$ 9,469,088	$ 15,041,676

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

Ho Tai Motor Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in import, trading, selling and repairing of vehicles and their parts, as well as installment sales and leases of vehicles, and sales of used vehicles and business of property insurance.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

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 2018 are as follows:

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendment to IFRS 2)	January 1, 2018
Applying IFRS 9 ‘Financial instruments’ with IFRS 4‘Insurance contracts’ (amendments to IFRS 4)	January1 ,2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Clarifications to IFRS 15, ‘Revenue from contracts with customers’ (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendment to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendment to IAS 12)	January 1, 2017

New and Revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

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

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

B. IFRS 9, 'Financial instruments'

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

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

(d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as of January 1, 2018, please refer to Note 12(14)B and C.

C. IFRS 15, ‘Revenue from contracts with customers’ and amendments

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

(b) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group changes the presentation of certain accounts in the balance sheet as follows:

i. Under IFRS 15, customer contracts whereby construction contracts receivable are recognized as contract assets, but were previously presented as part of accounts receivable in the balance sheet. As of January 1, 2018, the balance amounted to $23,787.

ii. Under IFRS 15, liabilities in relation to customer contracts are recognized as contract liabilities, but were previously presented as advance receipts and other payables in the balance sheet. As of January 1, 2018, the balance amounted to $888,547.

iii. Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognized as refund liabilities (shown as other current liabilities), but were previously presented as expense payable in the balance sheet. As of January 1, 2018, the balance amounted to $746,231.

(c) Please refer to Note 12(15) for disclosure in relation to the first application of IFRS 15.

D. Amendments to IAS 7, ‘Disclosure initiative’

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

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

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

New and revised standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New and revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	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 Group's financial condition and financial performance based on the Group's assessment.

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.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $2,568,254 and $2,274,081, and property, plant and equipment, other payables and other assets will be decreased by $10,100, $10,142 and $294,215, respectively.

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

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

New and revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

IFRS 17, 'Insurance contracts'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

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

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(14) and (15) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Note
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	Note 1
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	100.00	100.00	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	Note 6
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting services	100.00	-	Note 8

Investor	Investee	Main business activities	Ownership (%) December 31, 2018	December 31, 2017	Note
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	Note 5
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	Note 4
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	-	Note 7
Shanghai Heling Motor Service Co., Ltd.	Shanghai Howang Financial Leasing Co., Ltd	Leasing, wholesale, retail of and support service for vehicles	75.00	-	Note 9
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	65.77	66.03	
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.80	99.80	Note 3
Hozan Investment Co., Ltd.	Ho Tai Cyber Connection Co., Ltd.	E-commerce platform services of used vehicles	100.00	100.00	Note 5
Hozan Investment Co., Ltd.	Hoati Innovation Marketing Co.	Retail and wholesale of quality goods	100.00	-	Note 10
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	Note 11
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	Note 1
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co.,	Leasing of light passenger vehicles	100.00	-	Note 10
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	Note 12
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	Note 13
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	

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

Note 2: The abovementioned investees whose equity were held directly or indirectly by the Group not exceeding 50%, were regarded as subsidiaries and consolidated in the

Company's financial statements, since the Company could control over a half of voting rights in the Board of Directors.

Note 3: In January 2017, Hozan Investment Co., Ltd. acquired 99.80% equity of Hotai Insurance Co., Ltd. (formerly Zurich Insurance Co., Ltd.) which was consolidated in the Company's financial statements since January 17, 2017.

Note 4: In January 2017, Shanghai Heling Motor Service Co., Ltd. acquired 100% equity of Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. (formerly Shanghai Inchcape Auto Sales & Service Co., Ltd.) which was consolidated in the Company's financial statements since February 1, 2017.

Note 5: The investee was newly established in the third quarter of 2017.

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

Note 7: The investee was newly established in the second quarter of 2018.

Note 8: The investee was newly established in the third quarter of 2018.

Note 9: In the third quarter of 2018, Shanghai Heling Motor Service Co., Ltd. acquired the shares of Shanghai Howang Financial Leasing Co., Ltd. (formerly Shanghai Huanshun Financial Leasing Co., Ltd.). Injection of capital had not been completed as of December 31, 2018.

Note 10: The investee was newly established in the fourth quarter of 2018.

Note 11: In October 2018 and September 2017, HOTAI FINANCE CO., LTD. increased its capital in Hoyun International Limited amounting to USD 15 million and USD 10 million, respectively, which did not change the shareholding ratio.

Note 12: In October 2018 and September 2017, Hoyun International Limited increased capital in Hoyun International Lease Co., Ltd. amounting to USD 30 million and USD 20 million, respectively, which did not change the shareholding ratio.

Note 13: In February 2017, May 2017, September 2017 and October 2017, Hoyun International Lease Co., Ltd. increased its capital in HOYUN (Shanghai) Commercial Factoring Co., Ltd. amounting to CNY 10 million each time, totaling CNY 40 million, which did not change the shareholding ratio.

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

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

E. Significant restrictions: None.

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

As of December 31, 2018 and 2017, the non-controlling interest amounted to $8,900,232 and $8,220,847, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	$ 3,527,813	34.233%	$ 3,224,731	33.967%
Hotai Leasing Co., Ltd.	Taiwan	1,130,729	33.958%	1,111,065	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 118,680,518	$ 106,031,510
Non-current assets	3,583,285	3,502,103
Current liabilities	(109,964,986)	(98,605,810)
Non-current liabilities	(441,569)	(396,211)
Total net assets	$ 11,857,248	$ 10,531,592

	Hotai Leasing Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 2,307,470	$ 2,249,706
Non-current assets	28,955,122	24,935,495
Current liabilities	(13,902,409)	(9,871,742)
Non-current liabilities	(14,030,397)	(14,041,579)
Total net assets	$ 3,329,786	$ 3,271,880

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 11,083,472	$ 9,491,687
Profit before income tax	2,397,615	1,939,305
Income tax expense	(559,526)	(398,591)
Profit for the period	1,838,089	1,540,714
Other comprehensive loss for the period, net of tax	(71,447)	(39,036)
Total comprehensive income for the period	$ 1,766,642	$ 1,501,678
Comprehensive income attributable to non-controlling interests	$ 582,322	$ 510,075

	Hotai Leasing Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 15,381,583	$ 15,248,197
Profit before income tax	737,207	648,857
Income tax expense	(347,800)	(138,279)
Profit for the period	389,407	510,578
Other comprehensive loss for the period, net of tax	(20,682)	(11,393)
Total comprehensive income for the period	$ 368,725	$ 499,185
Comprehensive income attributable to non-controlling interests	$ 125,212	$ 169,513

Statements of cash flows

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2018	2017
Net cash used in operating activities	($ 10,097,253)	($ 10,492,668)
Net cash used in investing activities	(688,399)	(1,171,114)
Net cash provided by financing activities	10,565,697	11,939,771
Net effect of changes in foreign currency exchange rates	78,946	15,486
Increase (decrease) in cash and cash equivalents	(298,901)	291,475
Cash and cash equivalents, beginning of period	763,737	472,262
Cash and cash equivalents, end of period	$ 464,836	$ 763,737

	Hotai Leasing Co., Ltd.	
	Years ended December 31,	
	2018	2017
Net cash provided by operating activities	$ 11,394,144	$ 11,304,146
Net cash used in investing activities	(14,989,243)	(12,471,405)
Net cash provided by financing activities	3,512,507	1,123,544
Decrease in cash and cash equivalents	(82,592)	(43,715)
Cash and cash equivalents, beginning of period	153,391	197,106
Cash and cash equivalents, end of period	$ 70,799	$ 153,391

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within “foreign exchange gains or losses”.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

(5) Classification of current and non-current items

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

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. The Group could designate financial assets at fair value through profit or loss using overlay approach when financial assets meet the following conditions:

(a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and

(b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

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. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.

D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

E. Subsidiary, Hotai Insurance Co., Ltd., reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:

(a) The amount reported in profit or loss for the designated financial assets applying overlay approach; and

(b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

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

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(11) Impairment of financial assets

A. For financial assets at fair value through other comprehensive income, receivables, and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

B. The Group will perform the following procedure when the financial assets are assessed as having a significant increase in credit risk after initial recognition:

(a) Financial assets at fair value through other comprehensive income

Reclassify the amount of credit loss which originally are unrealized gains (losses) of accumulated losses of other comprehensive income as profit or loss.

(b) Financial assets at amortized cost

Decrease its carrying amount through allowance account. When finanicial assets at amortized cost are assessed as no longer recoverable, write-off the allowance accounts. For proceeds that were previously written-off and subsequently recovered, credit the allowance account. Except for financial assets at amortized cost that are assessed as no longer recoverable and written-off allowance accounts, the carrying amount of allowance accounts are recognized in profit or loss.

(12) Loss allowance

A. The Group provisioned for the appropriate allowance loss under IFRS 9 for financial assets at fair value through other comprehensive income and long-term time deposits.

B. The Group provisioned for the appropriate allowance loss under IFRS 9 for financial assets at amortized cost such as receivables.

C. The Group provisioned for the appropriate allowance loss under IFRS 4 for reinsurance contract assets.

(13) Derecognition of financial assets

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

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

B. The contractual rights to receive cash flows of the financial asset have been transferred and the

Group has transferred substantially all risks and rewards of ownership of the financial asset.

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

(14) Lease receivables/ operating leases (lessor)

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

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

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

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

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

(15) Inventories

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

(16) Investments accounted for using equity method / associates

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

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

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

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

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

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

(17) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

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

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

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

Buildings and structures	3 ～ 60 years
Utility equipment	5 ～ 10 years
Office equipment	2 ～ 20 years
Machinery and equipment	4 ～ 10 years
Rental assets	1 ～ 17 years

Leasehold improvements 1 ～ 35 years

(18) Operating leases (lessee)

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

B. A lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset. The Group leases in equipment under finance lease. At the lease’s commencement, the lower of the fair value of the leased asset and the present value of the minimum lease payments is capitalized. Finance lease payments of each period are apportioned between the interest expenses on finance lease and the reduction of the outstanding liability. The interest expense is recognized in the statement of comprehensive income within ‘interest expense’. Total minimum lease payments, net of the interest expense on finance lease, is recognized as ‘payables’.

(19) Investment property

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

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

C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain and loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain and loss on investment property under net investment income (loss). Except for land, property (including accessory equipment) is depreciated on a straight-line basis over its estimated useful life of 2～60 years. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change.

D. Investment property of the Group’s subsidiary-Hotai Insurance Co., Ltd. including the office building and land rented in the form of an operating lease are to generate rental income or capital increase or both. Investment property is recognized initially at cost plus transaction costs incurred and subsequently applies cost model measuring at cost net of accumulated depreciation and impairment. A portion of the property may be held by the Group and another portion generates rental income or capital increase. If the property held by the Group can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

(20) Intangible assets

A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 2~5 years.

B. Goodwill

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

C. Client relationship

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

(21) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for 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.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

(22) Borrowings

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

(23) Notes and accounts payable

A. Liabilities for purchases of raw materials, goods or services and notes payables resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial liabilities at fair value with any gain or loss recognized in profit or loss.

(25) Derecognition of financial liabilities

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

(26) Ordinary corporate bonds

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

(27) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(28) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(29) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Group designates the hedging relationship as follows:

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

C. Cash flow hedges

(a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

i. The cumulative gain or loss on the hedging instrument from inception of the hedge; and

ii. The cumulative change in fair value of the hedged item from inception of the hedge.

(b) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.

(c) The amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(30) Provisions

Provisions (provision for warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses. For details of provisions for other insurance liabilities, please refer to Note 4(37).

(31) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees’ compensation and directors’ remuneration

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

(32) Classification of insurance contracts

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

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

(33) Direct insurance income and expenses

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

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

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

(34) Reinsurance contract

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

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

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

(35) Salvage and subrogation

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

(36) Underwriting pools and coinsurance

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

(37) Insurance liabilities

All reserves of insurance contracts that Hotai Insurance Co., Ltd. recognized are based on "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance", "Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises", "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Notes for Strengthening Reserve of Pool Members Residential Earthquake", "Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises" and "Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises", and shall be certified by actuary authorized by the Financial Supervisory Commission. Provision for reserve is also applicable for assumed reinsurance and ceded reinsurance business, but is not applicable for special reserve and liability adequacy reserve.

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

A. Unearned premium reserve

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

B. Claims reserve

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

C. Special reserve

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

D. Premium deficiency reserve

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

E. Liability adequacy reserve

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

F. Unqualified ceded reserve

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

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

(38) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

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

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

(39) 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.

(40) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(41) Revenue recognition

A. Sales of goods

(a) The Group sells cars and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales revenue was recognized based on the contract price net of sales discount. Accumulated experience and other known reason is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.

(c) The Group's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision.

(d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(e) The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract.

Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.

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

B. Service revenue

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

C. Recognition of premium revenue and deferred acquisition cost of the insurance business of Hotai Insurance Co., Ltd. were as follows:

(a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(33) and (34).

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

D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year or one operating period. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(42) Business combinations

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

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

(43) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Provisions for warranty

To gain customers' confidence on the quality of products, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(21) "Provisions" for more information.

C. Impairment assessment of goodwill and customer relation

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

D. Evaluation of allowance for uncollectible accounts

The subsidiary, Hotai Finance Co., Ltd., provides loss allowance for uncollectible accounts based on the forecast factors such as past due days and future economic conditions to assess the default possibility of accounts receivable. The subsidiary recognizes loss allowance individually after the management assesses the customers' financial condition or payment situation which indicate that the accounts receivable may not be recovered. Given the evaluation process involves estimates and predictions of the past events, current conditions and future overall economic situation, changes might arise due to the difference between the actual results and estimates.

E. Insurance liabilities

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

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

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

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

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

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 13,847	$ 15,516
Checking accounts and demand deposits	5,653,179	5,932,295
Cash equivalents		
Time deposits	1,215,085	1,373,452
Short-term notes and bills	2,586,977	7,720,413
	$ 9,469,088	$ 15,041,676

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

B. As of December 31, 2018 and 2017, the Group presented its long-term time deposits of $2,170,436 and $2,372,029, respectively, under other financial assets-current and non-current.

C. Of the short-term notes held by the Group, investments in notes issued under reverse repurchase agreements have obtained notes as collateral. The maximum exposure amount after receiving financial collateral is the net amount after offsetting. For related explanations, please refer to Note 6(6).

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

Items		December 31, 2018
Financial assets at fair value through profit or loss		
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$	1,750,167
Derivative instruments		8,484
Financial products		95,943
Listed stocks		902,397
Listed preference share		59,980
Exchange Traded Funds		1,174,890
Valuation adjustment	(	218,943)
	$	3,772,918
Non-current items：		
Financial assets mandatorily measured at fair value through profit or loss		
Corporate bonds	$	1,000,000
Financial liabilities at fair value through profit or loss		
Current items:		
Financial liabilities held for trading		
Derivative instruments	$	19,047

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

Items		December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	$	77,726
Money market fund		1,469
Listed stocks	(	161,123)
Listed preference share		3,473
Exchange Traded Funds	(	12,343)
Beneficiary certificates	(	124,430)
Corporate bonds		17,250
	($	197,978)

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative instruments	December 31, 2018 Contract amount (Notional principal) (in thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD	249,726	2018.10.15~2019.03.14
Foreign exchange swap contracts	USD	20,000	2018.11.22~2019.02.27

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

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

E. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(14).

F. The Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, and has elected to use overlay approach under IFRS 4, 'Insurance contract' at the same time to present the gains or losses on designated financial assets.

(a) On December 31, 2018, such financial assets designated using overlay approach are as follows:

Items	December 31, 2018
Financial assets at fair value through profit or loss designated using overlay approach	
Listed stocks	$ 902,397
Listed preference shares	59,980
Exchange Traded Funds	1,174,889
Beneficiary certificates	961,300
Corporate bonds	500,000
Valuation adjustment	(223,928)
	$ 3,374,638

(b) For the year ended December 31, 2018, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	December 31, 2018
Losses (gain) recognized in profit or loss under IFRS 9	($ 277,173)
Less: Gains recognized in profit or loss under IAS 39	(50,988)
Profit reclassified under overlay approach	($ 328,161)

G. Information on equity of the structured entities which were not controlled by the Group is as follows:

(a)

Type of structured entities	Book value at December 31, 2018	Description
Infrastructure fund	$ 302,104	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.

(b) The intention of the Group for holding these structured entities is for earning investment income.

(c) The Group recognized equity of the structured entities which were not consolidated into the financial statements under financial assets at fair value through profit or loss.

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2018
Current items:	
Debt instrument	
Government bonds	$ 99,952
Financial bonds	200,035
Foreign financial bonds	64,605
	364,592
Valuation adjustment (including loss allowance)	1,029
Less: Operation bonds	(98,200)
	$ 267,421
Non-current items:	
Debt instrument	
Government bonds	$ 267,585
Corporate bonds	308,854
Financial bonds	299,248
Foreign corporate and financial bonds	613,323
	1,489,010
Valuation adjustment (including loss allowance)	(2,937)
Less: Operation bonds	(202,100)
	1,283,973
Equity instruments	
Listed stocks and unlisted stocks	6,442,572
Valuation adjustment	160,298
	6,602,870
	$ 7,886,843

A. The Group has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $6,602,870 as at December 31, 2018.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Items	December 31, 2018
Debt instruments at fair value through other comprehensive income	
Fair value change recognized in other comprehensive income	($ 28,179)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition	($ 122)
Reclassified due to derecognition	(7,470)
	($ 35,771)
Interest income recognized in profit or loss	$ 55,449

Items	December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognized in other comprehensive income	($ 351,062)

C. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of December 31, 2018, government bonds with par value both of $300,300 were deposited.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

E. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(14).

(4) Hedging financial assets and liabilities

	December 31, 2018	
	Current assets	Current liabilities
Cash flow hedges		
Exchange rate risk and interest rate risk		
Cross currency swaps	$ 70,038	($ 52,424)

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Group’s USD and JPY denominated borrowings are exposed to the impact of variable exchange rate and interest rates, the Group uses cross currency swap to control the exchange rate risk and interest rates under their acceptable range.

B. Transaction information associated with the Group adopting hedge accounting is as follows:

Hedging instruments	Notional amount (in thousand dollars)		Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
	December 31, 2018							Year ended December 31, 2018	
Cash flow hedges：									
Exchange rate risk and Interest rate risk									
Cross currency swaps transactions	USD	5,000	2017/5/23 ~2019/5/10	$ -	($ 1,486)	$ -	6.89	4.74	$ -
	USD	200,000	2017/03/13 ~2021/9/17	70,038	(50,938)	-	29.20~30.85	0.92~1.29	-

	December 31, 2018	
	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items		
Cash flow hedges		
Exchange rates risk and interest rate risk		
Short-term borrowings	$ 6,208,749	$ 94,041

C. Cash flow hedges

	Year ended December 31, 2018
Other equity - cash flow hedge reserve	
At January 1	($ 32,741)
Add: Gains (losses) on hedge effectiveness-amount recognized in other comprehensive income	(115,405)
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	77,987
Less: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	8,829
At December 31	($ 61,330)

To hedge exposed exchange rate risk and interest rate risk arising from long-term and short-term borrowings, the Group entered into a cross currency swap agreement. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognize in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in finance costs when the hedged items are subsequently recognized in long-term and short-term borrowings.

D. The information on December 31, 2017 is provided in Note 12(14).

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

	December 31, 2018	December 31, 2017
Notes receivable	$ 2,014,292	$ 1,811,064
Installment notes receivable	6,637,807	7,149,348
Accounts receivable	6,119,044	5,922,968
Installment accounts receivable	100,812,892	88,414,215
Lease payments and notes receivable	18,985,922	16,201,912
Premiums receivable	462,779	382,366
Overdue receivable	62,553	22,228
	135,095,289	119,904,101
Less: Unrealized interest income	(9,551,319)	(8,039,001)
Unearned finance income	(2,184,823)	(1,900,973)
Allowance for doubtful accounts	(2,116,783)	(1,658,679)
Notes and accounts receivable, net	$ 121,242,364	$ 108,305,448

	December 31, 2018	December 31, 2017
Current	$ 120,750,600	$ 108,053,522
Non-current (shown as other assets)	$ 491,764	$ 251,926

As of December 31, 2018 and 2017, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to $4,519,334 and $5,715,284, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to $2,216,836 and $1,784,190 as of December 31, 2018 and 2017, respectively.

A. The ageing analysis of receivables that were past due but not impaired is as follows:

	December 31, 2018
	Receivables
Not past due	$ 133,268,822
Up to 30 days	129,012
31 to ~ 90 days	485,123
91 to ~ 180 days	575,339
Over 180 days	636,993
	$ 135,095,289

The above ageing analysis was based on past due date.

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

	December 31, 2018	December 31, 2017
Up to 12 months	$ 43,019,601	$ 39,023,686
Over 12 months	64,431,098	56,539,877
	$ 107,450,699	$ 95,563,563

C. The Group leases office machines and vehicles to others under finance lease. Based on the terms of the lease contracts, the ownership of these assets shall be transferred to the lessees when the leases expire. The gross investments in those leases and present value of total minimum lease payments receivable as of December 31, 2018 and 2017 were as follows:

	December 31, 2018		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 4,099,515	($ 231,179)	$ 3,868,336
Later than one year but not later than five years	14,886,329	(1,953,644)	12,932,685
Over five years	78	-	78
	$ 18,985,922	($ 2,184,823)	$ 16,801,099

	December 31, 2017		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	$ 9,710,411	($ 1,100,934)	$ 8,609,477
Later than one year but not later than five years	6,491,363	(800,039)	5,691,324
Over five years	138	-	138
	$ 16,201,912	($ 1,900,973)	$ 14,300,939

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

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Offsetting financial assets and financial liabilities

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

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

	December 31, 2018					
	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	$2,586,977	$ -	$ 2,586,977	$ -	$2,586,977	$ -

	December 31, 2017					
	Financial assets					
				Not set off in the balance sheets		
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)- (e)
Reverse repurchase agreement	$7,720,413	$ -	$ 7,720,413	$ -	$7,720,413	$ -

(7) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	$ 5,331,492	($ 71,952)	$ 5,259,540
Air conditioner and parts	2,878,154	(388,524)	2,489,630
Other goods	92,128	(7,225)	84,903
Inventory in transit	2,183,581	-	2,183,581
	$ 10,485,355	($ 467,701)	$ 10,017,654

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

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

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

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 140,168,602	$ 137,704,890
Loss on market value decline of inventories	20,629	93,660
	$ 140,189,231	$ 137,798,550

(8) Prepayments

	December 31, 2018	December 31, 2017
Prepayments to commissions	$ 2,820,471	$ 2,424,926
Prepayments to suppliers	1,891,184	1,526,274
Offset against business tax payable	1,047,110	960,070
Prepaid insurance premiums	442,283	547,039
Other prepayments	316,021	380,018
	$ 6,517,069	$ 5,838,327

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	December 31, 2018	December 31, 2017
Claims recoverable from reinsurers	$ 158,967	$ 38,905
Due from reinsurance and ceding companies	115,112	128,090
Reinsurance reserve assets		
-Ceded unearned premium reserve	727,955	618,021
-Ceded claims reserve	634,445	684,194
Due from reinsurance and ceding companies-overdue	17,981	7,911
	1,654,460	1,477,121
Less: Loss allowance	(11,598)	-
Less: Allowance for bad debts	-	(8,681)
	$ 1,642,862	$ 1,468,440

	December 31, 2018	December 31, 2017
Current	$ 1,225,913	$ 861,401
Non-current (shown as other assets)	$ 416,949	$ 607,039

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

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

	Year ended December 31, 2018
At January 1	$ 8,681
Provisions during the period	2,917
At December 31	$ 11,598

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

C. Details of insurance liabilities are as follows:

	December 31, 2018	December 31, 2017
Unearned premium reserve	$ 3,567,154	$ 2,850,169
Claims reserve	2,601,984	2,398,727
Special reserve	1,914,888	1,895,550
	$ 8,084,026	$ 7,144,446

	December 31, 2018	December 31, 2017
Current (shown as other current liabilities)	$ 4,798,752	$ 3,794,594
Non-current (shown as current provisions)	$ 3,285,274	$ 3,349,852

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

	Year ended December 31, 2018		
	Gross amount	Ceded amount	Net amount
At January 1	$ 2,850,169	$ 618,021	$ 2,232,148
Provision during the period	3,567,154	727,955	2,839,199
Recovery during the period	(2,850,169)	(618,021)	(2,232,148)
At December 31	$ 3,567,154	$ 727,955	$ 2,839,199

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

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

(a) As of December 31, 2018 and 2017, details of claims reserve and ceded claims reserve are as follows:

	December 31, 2018		
	Gross amount	Ceded amount	Net amount
Reported but not paid	$ 1,554,389	$ 335,373	$ 1,209,016
Incurred but not reported	1,057,595	299,072	758,523
	$ 2,601,984	$ 634,445	$ 1,967,539

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

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

	Year ended December 31, 2018		
	Gross amount	Ceded amount	Net amount
At January 1	$ 2,398,727	$ 684,194	$ 1,714,533
Provision during the period	2,601,984	634,445	1,967,539
Recovery during the period	(2,398,727)	(684,194)	(1,714,533)
At December 31	$ 2,601,984	$ 634,445	$ 1,967,539

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

F. Movement of special reserve is as follows:

	Year ended December 31, 2018
At January 1	$ 1,895,550
Provision during the period	20,931
Recovery during the period	(1,593)
At December 31	$ 1,914,888

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

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

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

If the above is not taken into consideration, the effects on liabilities, equity, profit and earnings per share to Hotai Insurance Co., Ltd. are as follows:

	December 31, 2018	December 31, 2017
Decrease in special reserve under liability	$ 384,169	$ 385,762
Increase in special reserve under retained earnings	321,457	320,183

	Year ended December 31,	
	2018	2017
Increase in net loss (income) before tax	$ 1,593	$ 1,524
Increase in losses (earnings) per share before tax	0.08	0.08

H. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, “Guidelines for Strengthening Reserve of Pool Members Residential Earthquake” and Jin-Guan-Pao-Tsai Letter No. 10102517091, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities for the years ended December 31, 2018 and 2017.

If the above is not taken into consideration, the effects on liabilities, equity and profit to Hotai Insurance Co., Ltd. are as follows:

	December 31, 2018	December 31, 2017
Decrease in special reserve under liability	$ 223,894	$ 223,894
Increase in special reserve under retained earnings	185,832	185,832

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the years ended December 31, 2018 and 2017.

(10) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Kuozui Motors, Ltd.	$ 4,286,842	$ 4,609,218
Central Motor Co., Ltd.	2,444,355	2,448,865
Tau Miau Motor Co., Ltd.	1,428,177	1,386,398
Kau Du Automobile Co., Ltd.	1,321,898	1,319,043
Kuotu Motor Co., Ltd.	1,018,969	948,238
Taipei Toyota Motor Co., Ltd.	980,767	916,027
Nan Du Motor Co., Ltd.	938,419	893,335
Lang Yang Toyota Motor Co., Ltd.	284,740	281,434
Formosa Flexible Packaging Corp.	272,434	273,757
Shi-Ho Screw Industrial Co., Ltd.	132,677	131,622
Yokohama Tire Taiwan Co., Ltd., etc.	1,339,231	1,271,890
	$ 14,448,509	$ 14,479,827

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

As of December 31, 2018 and 2017, the carrying amount of the Group’s individually immaterial associates amounted to $14,448,509 and $14,479,827, respectively.

	Years ended December 31,	
	2018	2017
Comprehensive income for the period	$ 3,552,581	$ 5,670,808

B. The Group’s investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to $1,006,530 and $1,556,292 for the years ended December 31, 2018 and 2017, respectively, and were valued based on the investees’ financial statements that were not audited by the independent accountants.

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

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

E. The Group's indirect subsidiary-HO TAI SERVICE & MARKETING CO., LTD. acquired 24.5% shares of Kashiwabara Hotai Taiwan Co., Ltd. for a cash consideration of $8,820 in December 2018.

F. The Group invested $2,244 in cash to establish Taikang Heling Lexus Motor Sales & Service Co., Ltd. in December 2018 and acquired 50% shares of the investee.

(11) Property, plant and equipment

	Land	Prepayment for real estate	Buildings and structures	Utility equipment	Office equipment	Machinery and equipment	Rental assets (Note)	Leasehold improvements	Construction in progress	Total
At January 1, 2018										
Cost	$ 4,628,014	$ -	$ 4,301,177	$ 138,212	$ 1,501,043	$ 366,066	$ 39,032,620	$ 655,849	$ 77,433	$ 50,700,414
Revaluation gain	1,345,967	-	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	-	(1,709,052)	(133,351)	(1,026,030)	(233,905)	(13,522,622)	(412,891)	-	(17,064,701)
	$ 5,947,131	$ -	$ 2,604,204	$ 4,861	$ 475,013	$ 132,161	$ 25,509,998	$ 242,958	$ 77,433	$ 34,993,759
2018										
Opening net book amount	$ 5,947,131	$ -	$ 2,604,204	$ 4,861	$ 475,013	$ 132,161	$ 25,509,998	$ 242,958	$ 77,433	$ 34,993,759
Additions	3,773,518	88,000	965,321	628	278,361	125,520	13,706,540	52,914	165,298	19,156,100
Disposals	-	-	(4,262)	-	(21,287)	(2,353)	(3,797)	(1,943)	(1,115)	(34,757)
Reclassifications	158,891	-	55,132	(598)	25,095	(92)	(4,466,700)	1,539	(85,288)	(4,312,021)
Depreciation	-	-	(150,233)	(924)	(168,807)	(29,892)	(7,529,519)	(66,719)	-	(7,946,094)
Impairment loss recognized on rental assets	-	-	-	-	-	-	58,391	-	-	58,391
Net exchange differences	-	-	(29,683)	(10)	(5,068)	(2,724)	(24,941)	(243)	(302)	(62,971)
Closing net book amount	$ 9,879,540	$ 88,000	$ 3,440,479	$ 3,957	$ 583,307	$ 222,620	$ 27,249,972	$ 228,506	$ 156,026	$ 41,852,407
At December 31, 2018										
Cost	$ 8,560,422	$ 88,000	$ 5,299,693	$ 138,177	$ 1,662,102	$ 461,420	$ 40,830,138	$ 673,824	$ 156,026	$ 57,869,802
Revaluation gain	1,345,967	-	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,849)	-	(1,871,293)	(134,220)	(1,078,795)	(238,800)	(13,580,166)	(445,318)	-	(17,375,441)
	$ 9,879,540	$ 88,000	$ 3,440,479	$ 3,957	$ 583,307	$ 222,620	$ 27,249,972	$ 228,506	$ 156,026	$ 41,852,407

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

	Land	Buildings and structures	Utility equipment	Office equipment	Machinery and equipment	Rental assets (Note)	Leasehold improvements	Construction in progress	Total
At January 1, 2017									
Cost	$ 3,935,553	$ 3,870,599	$ 136,169	$ 1,194,995	$ 326,185	$ 39,333,871	$ 504,098	$ 250,254	$ 49,551,724
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(1,497,320)	(132,469)	(824,528)	(206,060)	(14,195,165)	(321,201)	-	(17,203,593)
	$ 5,254,670	$ 2,385,358	$ 3,700	$ 370,467	$ 120,125	$ 25,138,706	$ 182,897	$ 250,254	$ 33,706,177
2017									
Opening net book amount	$ 5,254,670	$ 2,385,358	$ 3,700	$ 370,467	$ 120,125	$ 25,138,706	$ 182,897	$ 250,254	$ 33,706,177
Additions	17,586	36,494	2,059	181,600	30,227	12,867,793	91,287	145,365	13,372,411
Acquired from business combinations	643,509	68,245	-	85,420	3,826	5,711	15,531	-	822,242
Disposals	(1,675)	(1,054)	-	(32,145)	(171)	(3,800)	(793)	-	(39,638)
Reclassifications	33,041	272,842	-	28,352	6,904	(4,854,502)	17,457	(318,186)	(4,814,092)
Depreciation	-	(146,278)	(910)	(156,641)	(28,295)	(7,434,799)	(63,296)	-	(7,830,219)
Impairment loss on rental assets	-	-	-	-	-	(172,614)	-	-	(172,614)
Net exchange differences	-	(11,403)	12	(2,040)	(455)	(36,497)	(125)	-	(50,508)
Closing net book amount	$ 5,947,131	$ 2,604,204	$ 4,861	$ 475,013	$ 132,161	$ 25,509,998	$ 242,958	$ 77,433	$ 34,993,759
At December 31, 2017									
Cost	$ 4,628,014	$ 4,301,177	$ 138,212	$ 1,501,043	$ 366,066	$ 39,032,620	$ 655,849	$ 77,433	$ 50,700,414
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(1,709,052)	(133,351)	(1,026,030)	(233,905)	(13,522,622)	(412,891)	-	(17,064,701)
	$ 5,947,131	$ 2,604,204	$ 4,861	$ 475,013	$ 132,161	$ 25,509,998	$ 242,958	$ 77,433	$ 34,993,759

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

(12) Investment property

	Land		Buildings and structures		Total
At January 1, 2018					
Cost	$	1,212,157	$ 634,963	$	1,847,120
Revaluation gain		327,794	-		327,794
Accumulated depreciation		-	(317,192)	(	317,192)
	$	1,539,951	$ 317,771	$	1,857,722
2018					
Opening net book amount	$	1,539,951	$ 317,771	$	1,857,722
Additions		-	9,050		9,050
Reclassifications		-	(3,073)	(	3,073)
Depreciation		-	(17,240)	(	17,240)
Closing net book amount	$	1,539,951	$ 306,508	$	1,846,459
At December 31, 2018					
Cost	$	1,212,157	$ 590,202	$	1,802,359
Revaluation gain		327,794	-		327,794
Accumulated depreciation		-	(283,694)	(	283,694)
	$	1,539,951	$ 306,508	$	1,846,459

	Land		Buildings and structures		Total
At January 1, 2017					
Cost	$	322,035	$ 489,412	$	811,447
Revaluation gain		327,794	-		327,794
Accumulated depreciation		-	(226,983)	(	226,983)
	$	649,829	$ 262,429	$	912,258
2017					
Opening net book amount	$	649,829	$ 262,429	$	912,258
Acquired from business combinations		923,163	52,343		975,506
Reclassifications	(	33,041)	20,231	(	12,810)
Depreciation		-	(17,232)	(	17,232)
Closing net book amount	$	1,539,951	$ 317,771	$	1,857,722
At December 31, 2017					
Cost	$	1,212,157	$ 634,963	$	1,847,120
Revaluation gain		327,794	-		327,794
Accumulated depreciation		-	(317,192)	(	317,192)
	$	1,539,951	$ 317,771	$	1,857,722

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

	Years ended December 31,	
	2018	2017
Rental income from investment property	$ 136,194	$ 135,513
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	$ 29,102	$ 26,723

B. The fair value of the investment property held by the Group was $2,208,554 and $2,172,572 as of December 31, 2018 and 2017, respectively, based on the market value method, except for Hotai Insurance Co., Ltd.. Hotai Insurance Co., Ltd. appoints external independent appraisers to assess those investment properties every 3 years and prepares an internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under "Regulations on Real Estate Appraisal" and adjusts the financial statement disclosure accordingly.

(13) Intangible assets

	Goodwill	Client relationship	Computer software	Total
At January 1, 2018				
Cost	$ 662,323	$ 527,106	$ 100,141	$ 1,289,570
Accumulated amortization and impairment	-	(16,838)	(63,740)	(80,578)
	$ 662,323	$ 510,268	$ 36,401	$ 1,208,992
2018				
At January 1	$ 662,323	$ 510,268	$ 36,401	$ 1,208,992
Additions-acquired separately	-	-	55,413	55,413
Amortization	-	(17,570)	(21,978)	(39,548)
At December 31	$ 662,323	$ 492,698	$ 69,836	$ 1,224,857
At December 31, 2018				
Cost	$ 662,323	$ 527,106	$ 144,315	$ 1,333,744
Accumulated amortization and impairment	-	(34,408)	(74,479)	(108,887)
	$ 662,323	$ 492,698	$ 69,836	$ 1,224,857

	Goodwill	Client relationship	Computer software	Total
2017				
Additions-acquired from business combinations	$ 662,323	$ 527,106	$ 16,999	$ 1,206,428
Additions-acquired separately	-	-	35,857	35,857
Amortization	-	(16,838)	(16,455)	(33,293)
At December 31	$ 662,323	$ 510,268	$ 36,401	$ 1,208,992

	Goodwill	Client relationship	Computer software	Total
At December 31, 2017				
Cost	$ 662,323	$ 527,106	$ 100,141	$ 1,289,570
Accumulated amortization and impairment	-	(16,838)	(63,740)	(80,578)
	$ 662,323	$ 510,268	$ 36,401	$ 1,208,992

Details of amortization on intangible assets are as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Administrative expenses	$ 39,548	$ 33,293

(14) Other assets

	December 31, 2018	December 31, 2017
Long-term accounts receivable (Including long-term notes and accounts receivable)	$ 950,331	$ 698,471
Reinsurance contract assets	416,949	607,039
Land use right	294,215	313,134
Operation bonds	300,300	300,300
Guarantee deposits paid	308,228	247,745
Prepayments for business facilities	29,839	543,203
Other	1,339,343	1,043,631
	$ 3,639,205	$ 3,753,523

(15) Short-term loans

Type of loans	December 31, 2018	December 31, 2017
Bank loans		
Unsecured loans	$ 54,879,055	$ 36,793,780
Mortgage loans	6,389,345	2,015,000
Mid-term syndicated loans for working capital	1,631,978	4,700,821
	$ 62,900,378	$ 43,509,601
Annual interest rate	0.76%~5.49%	0.75%~5.91%

As of December 31, 2018 and 2017, the details of loans are as follows:

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

B. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 380 million with 3 financial institutions including DBS Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from November 9, 2017 to November 9, 2020). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.

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

(a) Current ratio: At least 90%

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

(c) Interest coverage ratio: At least 120%

(d) Net value: At least $3.5 billion

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

(a) Net assets: At least RMB 330 million.

(b) Debt /equity ratio: Lower than 800%.

(c) Interest coverage ratio: At least 115%.

(d) Non performing loan ratios: Lower than 3%.

(16) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper payable	$ 47,920,000	$ 55,120,000
Less: Unamortized discount	(48,086)	(35,854)
	$ 47,871,914	$ 55,084,146
Annual interest rate	0.67%~1.3%	0.57%~1.53%

(17) Bonds payable (Recorded as 'Long-term liabilities current portion')

	December 31, 2018	December 31, 2017
Bonds payable	$ 5,200,000	$ 2,800,000

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

A. The first unsecured ordinary corporate bonds was issued in 2018. The total amount was $2,400,000, the coupon rate was 0.73% with a 3-year period, the outstanding period was from July 6, 2018 to July 6, 2021, and the bonds would be repaid at face value in a lump sum with cash on the due date.

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

(18) Long-term loans

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018	December 31, 2017
Long-term bank borrowings					
Unsecured borrowings	USD 3,000 thousand; borrowing period is from September 2018 to July 2021; interest is repayable monthly	3.99%	None.	$ 91,722	$ -
Secured borrowings	From May 2015 to May 2018	1.50%	Notes receivable for lease payments (please refer to Note 8)	-	100,000
Commercial papers payable	From March 2015 to December 2020	0.92%~ 1.51%	Notes receivable for lease payments (please refer to Note 8)	-	5,850,000
	From January 2016 to August 2021	0.92%~ 1.22%	Notes receivable for lease payments (please refer to Note 8)	6,750,000	-
Less: unamortized discounts				(8,032)	(6,554)
				6,833,690	5,943,446
Less: long-term liabilities, current portion				(2,747,522)	(1,099,034)
				$ 4,086,168	$ 4,844,412
Interest rate range				0.92%~3.99%	0.92%~1.51%

As of December 31, 2018, the maturities of long-term loans are as follows:

Duration of maturity	Loans amount
Up to 1 year	$ 2,750,000
1 to 2 years	2,400,000
2 to 3 years	1,691,722
	$ 6,841,722

(19) Accrued expenses

	December 31, 2018	December 31, 2017
Wages and salaries payable	$ 1,697,687	$ 1,539,870
Dealer bonus payable	486,265	1,017,727
Remuneration payable to employees	517,590	474,364
Remuneration payable to directors	246,033	242,514
Interest payable	193,969	162,974
Others	1,702,837	1,367,365
	$ 4,844,381	$ 4,804,814

(20) Pensions

A. Defined benefit pension

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

(b) For the aforementioned pension plan, the Group recognized pension costs of $0 and $4,328 for the years ended December 31, 2018 and 2017, respectively.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017, were $281,871 and $241,456, respectively.

(21) Provisions

	Warranty
At January 1, 2018	$ 2,328,294
Additional provisions during the period	1,479,206
Used during the period	(1,188,937)
Unused amounts reversed	(33,608)
At December 31, 2018	$ 2,584,955

Analysis of provision for warranty is as follows:

	December 31, 2018	December 31, 2017
Current (shown as other current liabilities)	$ 1,142,934	$ 1,093,182
Non-current	$ 1,442,021	$ 1,235,112

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

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

(22) Guarantee deposits received

	December 31, 2018	December 31, 2017
Deposits received for car rentals	$ 12,503,258	$ 11,830,021
Others	25,032	28,589
	$ 12,528,290	$ 11,858,610

Analysis of Guarantee deposits received for warranty is as follows:

	December 31, 2018	December 31, 2017
Current (shown as other current liabilities)	$ 3,395,243	$ 3,322,866
Non-current	$ 9,133,047	$ 8,535,744

(23) Share capital

As of December 31, 2018, 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, 2018 and December 31, 2018 was both 546,179,184 shares.

(24) Capital surplus

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

(25) Retained earnings

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

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

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

D. The Company recognized dividends distributed to shareholders amounting to $6,554,150 ($12.0 per share) for both the years of 2018 and 2017. On March 26, 2019, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2018 was $6,554,150 with $12 (in dollars) per share.

E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(30).

(26) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Years ended December 31, 2018
Goods category:	
Sales of goods	$ 158,221,271
Others	1,887,310
	$ 160,108,581
Timing of revenue recognition	
At a point in time	$ 158,956,746
Over time	1,151,835
	$ 160,108,581

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	December 31, 2018
Contract assets:	
Contract assets- construction contracts	$ 18,780
Contract liabilities:	
Contract liabilities- sales of goods	$ 986,464
Contract liabilities-customer loyalty programmers	8,500
	$ 994,964

For the year ended December 31, 2018, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to $788,898.

C. Related disclosures for 2017 operating revenue are provided in Note 12(15).

(27) Interest income

	Years ended December 31, 2018	2017
Installment revenue	$ 5,759,235	$ 4,349,684
Finance leasing revenue	2,167,351	1,515,274
Interest from deposits and short-term notes	170,571	131,173
Other interest income	73,551	86,924
	$ 8,170,708	$ 6,083,055

(28) Premium

Details of premium are as follows:

	Years ended December 31, 2018	2017
Written premium	$ 6,314,671	$ 4,716,617
Reinsurance premium	364,514	360,195
Less: Reinsurance expense	(1,396,155)	(1,115,520)
Net change in unearned premiums reserve	(607,050)	(768,948)
	$ 4,675,980	$ 3,192,344

(29) Expenses by nature

	Years ended December 31, 2018	2017
Employee benefit expense	$ 7,520,854	$ 6,837,922
Depreciation	7,963,334	7,847,451
Amortization	81,272	62,092
	$ 15,565,460	$ 14,747,465

(30) Employee benefit expense

	Years ended December 31, 2018	2017
Wages and salaries	$ 6,404,064	$ 5,837,828
Labor and health insurance fees	452,374	421,580
Pension costs	281,871	245,784
Other personnel expenses	382,545	332,730
	$ 7,520,854	$ 6,837,922

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

B. For the years ended December 31, 2018 and 2017, employees' remuneration was accrued at $123,016 and $121,257, respectively; while directors' remuneration was accrued at $246,033 and $242,514, 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, 2018. The employees' remuneration and directors' remuneration resolved by the Board of Directors were $123,016 and $246,033 on March 26, 2019, and the employees' remuneration will be distributed in cash.

Employees' compensation and directors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements. The employees' compensation will be distributed in cash.

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.

(31) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax expense recognized in the current period	$ 2,953,909	$ 2,314,244
Additional 10% income tax imposed on unappropriated earnings	349,319	397,714
Prior year income tax overestimation	25,914	(6,618)
Total current tax	3,329,142	2,705,340
Deferred tax:		
Origination and reversal of temporary differences	151,506	14,107
Impact of change in tax rate	114,796	-
Total deferred tax	266,302	14,107
Income tax expense	$ 3,595,444	$ 2,719,447

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

	Years ended December 31, 2018	Years ended December 31, 2017
Cash flow hedges	($ 7,248)	($ 3,797)
Unrealized gains on available-for-sale financial assets	$ -	$ 925
Changes in fair value of financial assets at fair value through other comprehensive income	($ 1,261)	$ -
Impact of change in tax rate	($ 1,101)	$ -

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Income tax expense at the statutory rate (Note)	$ 4,439,397	$ 3,326,316
Effects from adjustments based on regulation	(1,333,982)	(997,965)
Additional 10% surtax on undistributed earnings	349,319	397,714
Prior year income tax overestimation	25,914	(6,618)
Effect from changes in tax regulation	114,796	-
Income tax expense	$ 3,595,444	$ 2,719,447

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

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

	Year ended December 31, 2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquired from business combinations	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory obsolescence	$ 76,246	$ 17,129	$ -	$ -	$ 93,375
Provision for after-sales service	257,636	90,806	-	-	348,442
Bad debt expense	316,327	47,971	-	-	364,298
Provision of allowance for loss on rental assets	45,160	(2,678)	-	-	42,482
Loss carryforward	83,910	(11,860)	-	-	72,050
Others	219,809	20,665	9,610	-	250,084
	999,088	162,033	9,610	-	1,170,731
-Deferred tax liabilities:					
Land value increment tax	(716,331)	-	-	7,234	(709,097)
Gain on investments accounted for using equity method	(456,732)	(291,636)	-	-	(748,368)
Difference between finance and tax due to depreciation	(969,529)	(150,486)	-	-	(1,120,015)
Others	(17,863)	13,787	-	-	(4,076)
	(2,160,455)	(428,335)	-	7,234	(2,581,556)
	($1,161,367)	($ 266,302)	$ 9,610	$ 7,234	($ 1,410,825)

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

D. Expiration dates of unused loss carryforward amounts of unrecognized deferred tax assets of the Group's subsidiaries are as follows:

December 31, 2018				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2015	$ 9,180	$ -	$ -	2025
2016	359,487	230,564	-	2026
2017	127,576	127,576	4,167	2027
2018	97,794	97,794	91,515	2028

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

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(32) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to common shareholders of the parent	$ 10,025,535	546,179	$ 18.36
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 10,025,535	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	578	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 10,025,535	546,757	$ 18.34

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to common shareholders of the parent	$ 10,115,607	546,179	$ 18.52
Diluted earnings per share			
Profit attributable to common shareholders of the parent	$ 10,115,607	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	427	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	$ 10,115,607	546,606	$ 18.51

(33) Operating leases

A. Lessor

(a) The subsidiaries, Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd., engage in vehicles rental services. Partial collection is advance receipts of notes for rents which expire based on payment terms. As of December 31, 2018 and 2017, the notes receivable collected in advance amounted to $7,696,961 and $8,273,706, respectively. The notes receivable and advance rents are presented at net amount and are not shown in the balance sheet. As of December 31, 2018 and 2017, the amounts of $5,646,350 and $6,254,167 of notes receivable have been pledged as collateral for long-term and short-term bank loans and issuance of commercial papers.

Total future notes receivable for rents are as follows:

	December 31, 2018	December 31, 2017
Up to 1 year	$ 4,542,187	$ 4,798,777
1 to 5 years	3,154,774	3,474,929
	$ 7,696,961	$ 8,273,706

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

	December 31, 2018	December 31, 2017
Up to 1 year	$ 122,816	$ 41,458
1 to 5 years	130,806	31,620
Over 5 years	3,765	2,089
	$ 257,387	$ 75,167

B. Lessee

The Group leases buildings for operation under operating lease agreements. The lease terms are between 1 and 10 years, and all these lease agreements are renewable at the end of the lease period. The Group recognized rental expenses of $668,864 and $641,479 for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases agreements are as follows:

	December 31, 2018	December 31, 2017
Up to 1 year	$ 528,924	$ 259,063
1 to 5 years	1,138,491	414,500
Over 5 years	997,134	207,493
	$ 2,664,549	$ 881,056

(34) Business combination

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

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

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

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

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

D. From the date of acquisition, the acquisition increased operating income and net loss before tax in the amounts of $5,154,908 and $18,221, respectively. If Zurich Insurance (Taiwan) Ltd. and Shanghai Inchcape Auto Sales & Service Co., Ltd. were consolidated starting from January 1, 2017, the amounts of operating income and net profit before tax for the year ended December 31, 2017, would have been $181,482,383 and $14,283,832, respectively.

(35) Changes in liabilities from financing activities

	Short-term loans	Short-term notes and bills payable	Long-term liabilities-current portion	Long-term loans	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2018	$ 43,509,601	$ 55,084,146	$ 3,899,034	$ 4,844,412	$ 11,858,610	$ 119,195,803
Changes in cash flow from financing activities	18,932,720	(7,212,232)	2,400,000	892,361	669,680	15,682,529
Impact of changes in foreign exchange rate	-	-	-	(2,117)	-	(2,117)
Changes in other non-cash items	458,057	-	1,648,488	(1,648,488)	-	458,057
December 31, 2018	$ 62,900,378	$ 47,871,914	$ 7,947,522	$ 4,086,168	$ 12,528,290	$ 135,334,272

7. RELATED PARTY TRANSACTIONS

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

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

Names of related parties	Relationship with the Group
Toyota Motor (China) Investment Co., Ltd. (Toyota China)	Entities controlled by key management
Toyota Industries Corporation	Entities controlled by key management
Toyota Motor Philippines Cor. (Toyota Philippines)	Entities controlled by key management
Toyota Motor Manufacturing Turkey Inc.	Entities controlled by key management
Toyota Kirloskar Motor Pvt. Ltd	Entities controlled by key management
Toyota-Motor-Europe-Nv/Sa (TME)	Entities controlled by key management
Toyota-Motor-Sales-USA (TMS)	Entities controlled by key management
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	Entities controlled by key management
Kuotu Motor Co., Ltd. (Kuotu)	Associates
Nan Du Motor Co., Ltd. (Nan Du)	Associates
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associates
Tau Miau Motor Co., Ltd. (Tau Miau)	Associates
Kau Du Automobile Co., Ltd. (Kau Du)	Associates
Central Motor Co ., Ltd. (Central Motor)	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Yokohama Tire Taiwan Co., Ltd.	Associates
Shi-Ho Screw Industrial Co., Ltd.	Associates
Formosa Flexible Packaging Corp.	Associates
Hozao Enterprise Co., Ltd.	Associates
Beijing Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Linyi Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Associates
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	Associates
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Associates
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	Associates
Guangzhou Gac Changho Autotech Corporation	Associates
Kashiwabara Hotai Taiwan Co., Ltd.	Associates

Names of related parties	Relationship with the Group
Horung Motors Co., Ltd.	Associates
Zhong Cheng Motors Co., Ltd.	Associates
Hohung Motors Co., Ltd.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates
Kuai Shun Transportation Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates
Innovation Auto Parts Co., Ltd	Associates
Tung Yu Motor Co., Ltd.	Associates
Wang Fu Co., Ltd.	Associates
Zhongyang Motor Co., Ltd.	Associates
Nan I Motor Co., Ltd.	Associates
New Strong Power Logistics Co., Ltd. (Liquidated in August 2017)	Associates
Chang Guan Logistics Co., Ltd.	Associates
The Company's Directors, President, Vice President and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	Years ended December 31, 2018	2017
(a) Interest income:		
-Associates	$ 47,966	$ 49,655
-Entities controlled by key management	5	-
	$ 47,971	$ 49,655

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

	Years ended December 31, 2018	2017
(b) Premium:		
-Associates	$ 38,350	$ 27,012
-Entities controlled by key management	1,504	383
	$ 39,854	$ 27,395

	Years ended December 31,	
	2018	2017
(c) Sales revenue:		
-Associates		
Central Motor	$ 21,866,118	$ 22,869,007
Tau Miau	19,982,922	21,333,190
Taipei Motor	16,570,774	17,188,053
Others	48,234,009	49,018,577
-Entities controlled by key management	131,965	68,160
	$ 106,785,788	$ 110,476,987

Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.

	Years ended December 31,	
	2018	2017
(d) Rental revenue:		
-Associates	$ 118,648	$ 114,121
-Entities controlled by key management	6,963	4,685
	$ 125,611	$ 118,806

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

	Years ended December 31,	
	2018	2017
(e) Service revenue		
Service sales:		
-Associates	$ 41,367	$ 45,476
-Entities controlled by key management	19,648	73,864
Contracted operating revenue:		
-Associates	19,167	22,160
	$ 80,182	$ 141,500

	Years ended December 31,	
	2018	2017
(f) Subsidy income for price difference from installments:		
-Associates	$ 308,700	$ 381,154

	Years ended December 31, 2018		Years ended December 31, 2017	
(g) Warranty revenue (shown as deductions to cost of sales):				
-Associates				
Kuozui	$	164,505	$	213,936
-Entities controlled by key management				
TMAP		686,945		638,244
Others		2,243		2,130
	$	853,693	$	854,310

	Years ended December 31, 2018		Years ended December 31, 2017	
(h) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):				
-Associates	$	143,156	$	192,790
-Entities controlled by key management		80,845		53,836
	$	224,001	$	246,626

	Years ended December 31, 2018		Years ended December 31, 2017	
(i) Distribution income (shown as deductions to freight):				
-Associates	$	25,914	$	29,503
-Entities controlled by key management		15		-
	$	25,929	$	29,503

	Years ended December 31, 2018		Years ended December 31, 2017	
(j) Miscellaneous income:				
-Associates				
Kuotu	$	105,744	$	121,398
Kuozui		80,166		96,771
Others		89,467		84,967
-Entities controlled by key management		77,304		63,096
	$	352,681	$	366,232

B. Expenditures

	Years ended December 31, 2018		Years ended December 31, 2017	
(a) Interest expense:				
-Associates	$	15,629	$	17,057

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

(b) Purchases of goods:	Years ended December 31, 2018	2017
-Associates		
Kuozui	$ 44,220,103	$ 47,578,481
Others	1,076,717	1,066,727
-Entities controlled by key management		
TMC	35,713,057	34,435,637
Others	18,371,785	14,506,590
	$ 99,381,662	$ 97,587,435

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. (“TMCI”), TMAP, TMS and TME. Payment terms are shown in table 6 of Note 13(1) Significant transactions information.

	Years ended December 31, 2018	2017
(c) Rental expense:		
-Associates	$ 7,068	$ 7,596
-Entities controlled by key management	9,766	4,557
	$ 16,834	$ 12,153

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

	Years ended December 31, 2018	2017
(d) Warranty cost:		
-Associates		
Central Motor	$ 160,162	$ 156,611
Tau Miau	145,385	146,945
Kuotu	135,692	122,001
Kau Du	100,904	95,527
Nan Du	100,960	93,278
Others	101,672	91,191
-Entities controlled by key management	685	1,811
	$ 745,460	$ 707,364

	Years ended December 31, 2018	2017
(e) Advertisement expense:		
-Associates	$ 27,725	$ 18,134
-Entities controlled by key management	9,163	5,190
	$ 36,888	$ 23,324

	Years ended December 31, 2018	2017
(f) Freight:		
-Associates		
Fan Tai	$ 158,171	$ 108,935
Yi Tai	70,825	58,697
Others	3,584	3,867
	$ 232,580	$ 171,499

	Years ended December 31, 2018	2017
(g) Insurance claim payment:		
-Associates	$ 23,545	$ 11,413
-Entities controlled by key management	5	1
	$ 23,550	$ 11,414

	Years ended December 31, 2018	2017
(h) Commission expense:		
-Entities controlled by key management		
Ho An	$ 507,927	$ 313,968

	Years ended December 31, 2018	2017
(i) Others:		
-Associates		
Central Motor	$ 6,725,755	$ 7,691,644
Kau Du	5,075,517	4,706,093
Kuotu	5,061,053	4,867,358
Tau Miau	4,997,564	3,129,851
Taipei Motor	4,184,138	4,223,966
Nan Du	4,035,044	4,190,365
Others	743,248	705,371
	$ 30,822,319	$ 29,514,648

As described in Note 4(41), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the instalment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.

C. Receivables from (payables to) related parties

(a) Receivables from related parties:

	December 31, 2018	December 31, 2017
-Associates	$ 2,864,138	$ 2,972,592
-Entities controlled by key management	32,045	7,210
	$ 2,896,183	$ 2,979,802

(b) Other receivables from related parties:

	December 31, 2018	December 31, 2017
-Associates	$ 396,426	$ 303,957
-Entities controlled by key management	4,574	6,190
	$ 401,000	$ 310,147

(c) Accounts payable:

	December 31, 2018	December 31, 2017
-Associates	$ 1,153,385	$ 1,106,638
-Entities controlled by key management		
TMC	3,942,992	4,273,475
Others	1,007,227	402,113
	$ 6,103,654	$ 5,782,226

(d) Accrued expenses:

	December 31, 2018	December 31, 2017
-Associates	$ 561,794	$ 396,566
-Entities controlled by key management	2,098	598
	$ 563,892	$ 397,164

(e) Commissions payable:

	December 31, 2018	December 31, 2017
-Entities controlled by key management		
Ho An	$ 40,590	$ 32,400

D. Prepayments to suppliers

	December 31, 2018	December 31, 2017
Entities controlled by key management	$ 170,967	4 131,850

E. Property transactions

Acquisition of rental assets and equipments

	Years ended December 31, 2018	Years ended December 31, 2017
-Associates		
Kuotu	$ 2,291,006	$ 1,422,110
Taipei Motor	1,396,678	1,395,017
Central Motor	845,629	796,656
Tau Miau	838,761	881,651
Kau Du	599,215	888,715
Others	628,638	946,187
-Entities controlled by key management	12,851	18,485
	$ 6,612,788	$ 6,348,821

(3) Key management remuneration

	Years ended December 31, 2018	Years ended December 31, 2017
Salaries and other short-term employee benefits	$ 323,361	$ 356,124
Post-employment benefits	-	1,216
	$ 323,361	$ 357,340

8. PLEDGED ASSETS

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

Pledged asset	December 31, 2018	December 31, 2017	Purpose
Notes and accounts receivable	$ 6,736,170	$ 7,499,474	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 1)	300,300	-	Operation bonds
Available-for-sale financial assets	-	300,300	Operation bonds
Restricted assets (Note 2)			
-Demand and time deposits	601,580	604,292	Short-term borrowings, performance guarantee and issuance of L/C (Note 3)
	$ 7,638,050	$ 8,404,066	
Transactions not listed in the balance sheet			
-Notes receivable for rent	$ 5,646,350	$ 6,254,167	Long-term and short-term borrowings and commercial papers payable

Note 1: Shown as 'other assets'.

Note 2: Shown as 'other financial assets-current'.

Note 3: As of December 31, 2018 and 2017 the certificates of deposits amounting to $6,147 and $10,675, respectively, were pledged to the financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) In November 2018, the Company signed a contract with Guo Gong Construction Company which was commissioned to complete a $519,761 project to build a pre-delivery inspection centre in Yangmei logistics centre on an owner-occupied land. As of March 26, 2019, the outstanding payments amounted to $472,983.

(2) Details of operating lease agreements are shown in Note 6(33).

(3) Significant contracts signed by the Group as of December 31, 2018 are summarized as follows:

Type of contracts	Party involved	Contract period	Main contents
The Company			
Distributor agreement	Toyota Motor Corporation	January 1, 2016 to December 31, 2018 (Toyota) January 1, 2016 to December 31, 2018 (Lexus) Jnauary 1, 2019 to December 31, 2021	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Distributor agreement	Hino Motors, Ltd.	April 1, 2016 to March 31, 2021 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2015 to May 14, 2018	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
Chang Yuan Motor Co., Ltd.			
Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Toyota Material Handling Taiwan Ltd.			
Distributor agreement	Toyota Industries Corporation	April 1, 2017 to March 31, 2020	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the appropriation of retained earnings of 2018, please refer to Note 6(25).

(2) The Board of Directors during its meeting on March 26, 2019, approved the investment proposal of a USD 50 million reinvestment in HOTONG MOTOR INVESTMENT CO., LTD. through the capital increase in Shanghai Ho-Yu (BVI) Investment Co., Ltd.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and considering future capital requirements and long-term capital plan in order to support operations and maximize returns for shareholders.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 4,772,918	$ -
Financial assets held for trading	-	764,921
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	6,602,870	-
Qualifying equity instrument	1,551,394	-
Available-for-sale financial assets	-	7,239,071
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	9,469,088	15,041,676
Notes receivable	9,300,979	9,395,216
Accounts receivable	111,449,621	98,658,306
Long-term notes and accounts receivable	491,764	251,926
Other receivables	1,911,161	1,331,076
Guarantee deposits paid	608,528	548,045
Other financial assets	2,280,285	2,960,646
Derivative financial assets for hedging	70,038	-
	$ 148,508,646	$ 136,190,883
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 19,047	$ 96,003
Financial liabilities at amortized cost		
Short-term loans	62,900,378	43,509,601
Short-term notes and bills payable	47,871,914	55,084,146
Notes payable	156,296	202,209
Accounts payable	10,960,404	10,501,308
Other payables	1,458,313	1,227,628
Corporate bonds payable (including current portion)	5,200,000	2,800,000
Long-term borrowings (including current portion)	6,833,690	5,943,446
Guarantee deposits received	9,133,047	8,535,744
Other financial liabilities	81,738	74,600
Financial liabilities for hedging	52,424	403,699
	$ 144,667,251	$ 128,378,384

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange rate arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(4).

iv. The Group’s businesses involve some non-functional currency operations (the Company’s and certain subsidiaries’ functional currency: NTD; other certain subsidiaries’ functional currency: RMB). After taking into consideration the use of cross currency swap contracts, the information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018					December 31, 2017				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)		Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)										
Financial assets										
Monetary items										
USD:NTD	USD	23,463	30.7150	$	720,666	USD	26,460	29.7600	$	787,450
JPY:NTD	JPY	216,215	0.2782		60,151	JPY	301,587	0.2642		79,679
RMB:NTD	CNY	11,446	4.4736		51,205	CNY	14,072	4.5700		64,309
Financial liabilities										
Monetary items										
USD:NTD	USD	191,949	30.7150	$	5,895,714	USD	188,485	29.7600	$	5,609,314
JPY:NTD	JPY	65,352	0.2782		18,181	JPY	80,120	0.2642		21,168
USD:RMB (Note)	USD	134,950	6.8568		4,144,989	USD	89,950	6.5120		2,676,912

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

v. The total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to ($11,073) and $312,734 respectively.

vi. The Group took the use of cross currency swap contracts into account and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	Year ended December 31, 2018			Year ended December 31, 2017		
	Sensitivity analysis			Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	1%	$ 7,207	$ -	1%	$ 7,874	$ -
JPY:NTD	1%	602	-	1%	797	-
RMB:NTD	1%	512	-	1%	643	-
Financial liabilities						
Monetary items						
USD:NTD	1%	58,957	-	1%	56,093	-
JPY:NTD	1%	182	-	1%	212	-
USD:RMB (Note)	1%	41,450	-	1%	26,769	-

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

Price risk and interest rate risk

i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.

ii. The subsidiary's, Hotai Finance Co., Ltd., main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.

iii. The subsidiary, Hotai Finance Co., Ltd., assessed the market risk of cross currency swap by using PVBP (Present Value of Basis Point). However, the contracted notional principal equal to the amount of hedged liabilities, and the duration, resetting date, date of receiving and paying of interest and principal and the index of measuring interest were both the same, which can use to offset the market risk, thus, the Group did not expect significant market risk.

iv. The subsidiary, Hotai Finance Co., Ltd., is not exposed to the risk arising from variations in the market interest rates as the debt products the subsidiary issued are all fixed rate liabilities.

v. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant and considering the use of cross currency swap contracts, profit after tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $89,887 and $75,426, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, 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 utilisation of credit limits is regularly monitored.

iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of December 31, 2018 and 2017, HFC has financial instruments with off-balance-sheet credit risk amounting to $9,358,523 and $9,308,727, respectively, and HFC has collected notes for installment payment on behalf of the banks. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as ‘other current liabilities’.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

v. For the subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd., the default occurs when the contract payments are past due over 150 days. Additionally, when the contract payments are not expected to be recovered and transferred to overdue receivables, the default has occurred.

vi. The Group classifies customers’ installment and lease payment accounts and notes receivable in accordance with their default situation. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. Subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd., used forecastability such as historical experience and the prediction of future economic situation to establish loss rate for estimating loss allowance for instalment and lease payments accounts and notes receivable. On December 31, 2018, the provision matrix is as follows:

	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	$ 124,765,422	$ 301,780	$ 155,766	$ 149,195	$ 128,573	$ 658,359	$ 126,159,095
Loss allowance	$ 1,002,765	$ 78,544	$ 91,134	$ 126,998	$ 120,222	$ 658,359	$ 2,078,022

ix. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., on December 31, 2018 is provided in Note 12(5)A.

x. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.

xi- Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows:

	Year ended December 31, 2018 Receivables
At January 1_IAS 39	$ 1,658,679
Adjustments under new standards	-
At January 1_IFRS 9	1,658,679
Provision for impairment	1,387,798
Write-offs	(925,148)
Others	(4,546)
At December 31	$ 2,116,783

For the year ended December 31, 2018, gain on recoverable bad debts amounted to $506,373, presented as a deduction item to expected credit loss.

xii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument on December 31, 2018, and estimate expected credit loss.

xiii. Credit risk information of 2017 is provided in Note 12(14).

(c) Liquidity risk

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

ii. As of December 31, 2018 and 2017, the Group's unused credit line amounted to $46,613,280 and $43,235,602, respectively.

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

Non-derivative financial liabilities:

December 31, 2018

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 50,108,854	$ 5,743,427	$ 7,048,097
Short-term notes and bills payable	36,639,726	4,844,098	6,388,090
Notes payable	156,296	-	-
Accounts payable	10,960,404	-	-
Accrued expenses	4,844,381	-	-
Other payables	1,458,313	-	-
Bonds payable	-	2,800,000	2,400,000
Long-term loans (including current portion)	2,750,000	2,400,000	1,691,722

Non-derivative financial liabilities:

December 31, 2017

	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 35,741,394	$ 2,043,538	$ 5,724,669
Short-term notes and bills payable	43,849,510	6,390,536	4,844,100
Notes payable	202,209	-	-
Accounts payable	10,501,308	-	-
Accrued expenses	4,804,814	-	-
Other payables	1,227,628	-	-
Bonds payable	-	-	2,800,000
Long-term loans (including current portion)	1,100,000	2,750,000	2,100,000

Derivative financial liabilities:

December 31, 2018

	Up to 1 year	1 to 2 years	2 to 3 years
Cross currency swaps	$ 1,486	$ 16,262	$ 34,676
Forward exchange contracts	19,047	-	-

Derivative financial liabilities:

December 31, 2017

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

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(12).

C. Financial instruments not measured at fair value

Including the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, accrued expenses, other payables, commission payables and bonds payable are approximate to their fair values.

E. 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 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 1,328,515	$ -	$ 302,104	$ 1,630,619
Forward exchange contracts	-	4,171	-	4,171
Foreign exchange swap contracts	-	4,313	-	4,313
Bond investment	-	1,000,000	-	1,000,000
Equity securities	884,515	-	-	884,515
Exchange traded funds	1,153,253	-	-	1,153,253
Financial instruments	-	96,047	-	96,047
Derivative financial assets for hedging	-	70,038	-	70,038
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,551,394	-	1,551,394
Equity securities	6,313,093	-	289,777	6,602,870
	$ 9,679,376	$ 2,725,963	$ 591,881	$ 12,997,220

December 31, 2018	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 19,047	$ -	$ 19,047
Derivative financial liabilities for hedging	-	52,424	-	52,424
	$ -	$ 71,471	$ -	$ 71,471

Note: Including operation bonds.

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

Note: Including operation bonds.

(b) The methods and assumptions the Group used to measure fair value are as follows:

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

	Listed stocks	Beneficiary certificates	Open-end fund	Exchange traded funds
Market quoted price	Closing price	Closing price	Net asset value	Closing price

ii. Except for financial instruments with active markets, domestic investments take the quoted price of Taipei Exchange while foreign investments take the quoted price of the Swiss Exchange's financial information system as the fair value. The fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	2018	2018
	Beneficiary certificates	Equity securities
At January 1	$ -	$ 281,388
Acquisition of Level 3 financial assets	291,300	-
Recorded as unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	8,389
Recorded as gains on financial assets at fair value through profit or loss	10,804	-
At December 31	$ 302,104	$ 289,777

	2017
	Equity securities
At January 1	$ 263,422
Acquisition of Level 3 financial assets	31
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	17,935
At December 31	$ 281,388

F. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1, Level 2, and Level 3.

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 289,777	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund	302,104	Net asset value	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 281,388	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2018 and 2017.

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

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

(a) Risk Governance Structure and Responsibilities

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

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

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

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

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

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

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

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

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

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

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

(b) Risk Reporting and Measurement System

i. Risk Reporting

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

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

ii. Measurement System

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

(c) Insurance Risk and Underwriting Guidelines

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

(d) Total Risk Profiling and Insurance Risk Management

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

(e) Concentration Exposures on Insurance Risk

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

Line of Business	December 31, 2018	December 31, 2017
Fire insurance	$ 50,000	$ 50,000
Fire & A.P. insurance	50,000	50,000
Long-term residential fire insurance	50,000	50,000
Residential fire insurance	50,000	50,000
Marine cargo insurance	20,000	20,000
Inland marine insurance	20,000	20,000
Automobile insurance	Nil	Nil
General liability insurance	50,000	50,000
Engineering insurance	50,000	105,000
Fidelity insurance	60,000	90,000
Other property insurance	50,000	50,000
Personal accident insurance	50,000	50,000

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

(f) Asset/Liability Management

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

(g) Capital Adequacy Management

In accordance with the "Regulations Governing Capital Adequacy of Insurance

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

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

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

A. Credit risk

(a) Credit risk refers to the risk of financial loss to the subsidiary, Hotai Insurance Co., Ltd., arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through other comprehensive income.

(b) Except for using historical loss rate as a basis and forecastable macroeconomic information to estimate expected credit loss in line with IAS, the Group also provisioned allowance for loss in line with "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts" and related procedures.

(c) The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk since initial recognition:

i. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

ii. For bonds or banks that issue non-short-term certificates of deposit, if any external credit rating agency rates these bonds and banks as investment grade, the credit risk of these financial assets is low. However, if the rating of these bonds and banks are degraded to non-investment grade, the credit risk of these financial assets was significantly increased.

(d) The Company adopts IFRS 9 to presume the following assumptions that financial assets have been impaired:

i. If the contract payments were past due over 90 days based on the terms, there has been an impairment and default on that instrument since initial recognition.

ii. If companies that issue bonds or banks that issue non-short-term certificates of deposit experience significant financial difficulties and enter into bankruptcy or financial reorganization, the credit of the financial assets would be considered impaired.

iii. If the Company actively clears these financial assets in line with the "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts", and the financial assets could no longer be recovered, the financial assets should be written-off after it is reported to the Board of Directors. However, the Group will continue executing the recourse procedures to secure their rights.

(e) On December 31, 2018, the subsidiary, Hotai Insurance Co., Ltd., included receivables and guarantee deposits paid of other assets into the range whose impairment should be assessed and the expected loss rates are as follows:

The credit rating levels and each input value are presented below:

	December 31, 2018		
	12 months	Significant increase in credit risk	Impairment of credit
	Not past due or not over 30 days	Over 30 days	Over 90 days
Expected loss rate	0%	0%	100%
Total book value	$ 704,451	$ -	$ 160
Loss allowance	-	-	160

The provision of allowance for loss referred to the "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts". For the year ended December 31, 2018, the movement of allowance for loss are as follows:

	2018				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts"	Total
At January 1	$ -	$ -	$ 160	$ 19,201	$ 19,361
Amounts reversed	-	-	-	(2,675)	(2,675)
At December 31	$ -	$ -	$ 160	$ 16,526	$ 16,686

As of December 31, 2018, the allowance for loss of abovementioned financial assets was $19,072, and the maximum exposure to credit risk was $687,925.

(f) On December 31, 2018, the subsidiary, Hotai Insurance Co., Ltd., has financial assets at fair value through other comprehensive income and non-short term time deposits (excluding valuation adjustment) amounting to $3,404,171, and are both classified as investment grade. The external credit risk rating are as follows:

Credit risk rating	December 31, 2018
tw AAA	$ 952,342
tw AA+	362,673
tw AA	596,041
tw AA-	825,794
tw A+	301,203
tw A	353,585
tw A-	12,533
	$ 3,404,171

The probable expected loss rate of abovementioned financial assets within 12 months was 0%~0.08%, the amount of allowance for loss was $510, and the maximum exposure amount was $3,403,661. Aforementioned amount of allowance for loss was using the forecastability of Standard & Poor's research report to adjust historical and timely information to assess the expected loss rate. For the year ended December 31, 2018, the movements of allowance for loss are as follows:

	2018
At January 1	$ 506
Amounts reversed	4
At December 31	$ 510

(g) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the year ended December 31, 2018, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Year ended December 31, 2018

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	$ 1,449	-
AA	2,351	-
AA-	325,221	28
A+	428,656	37
A	44,585	4
A-	15,186	1
BBB+	1,211	-
Unrated	350,423	30
Total	$ 1,169,082	100

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

B. Liquidity risk management

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

(a) Cash flow control and hedging strategy

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

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

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

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

(b) Liquidity risk management

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

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

i. Non-derivative financial liabilities

	Contractual undiscounted cash flows			
December 31, 2018	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Insurance liabilities	$ 4,798,754	$ 1,256,846	$ 108,635	$ 1,919,791
Payables	942,875	-	-	-
Deposits-in	2,733	1,607	390	-

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

ii. Derivatives

On December 31, 2018, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

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

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

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

(a) Price risk

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

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

	December 31, 2018		
	Change of variables		Change in other comprehensive income
Listed stocks, ETF investment and beneficiary certificates	Increase in price	10%	$ 287,464
	Decrease in price	10%	(287,464)

	December 31, 2017		
	Change of variables		Change in equity
Listed stocks and ETF investment	Increase in price	10%	$ 139,806
	Decrease in price	10%	(139,806)

(b) Interest rate risk

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

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

	December 31, 2018		
	Change of variables		Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	($ 97,574)
	Decrease in interest rate	100 basis point	97,574

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

(c) Foreign exchange risk

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

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

	December 31, 2018	December 31, 2017
Foreign exchange rate	30.74	29.68

The US dollar assets and liabilities are shown as below:

	December 31, 2018	December 31, 2017
USD Assets	USD 33,885,907.42	USD 32,924,845.49
USD Liabilities	USD 638,757.49	USD 6,785.00

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

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

	December 31, 2018	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	($ 20,980)
	Depreciate 5% against NTD	20,980

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

(6) Insurance risk information

A. Insurance risk concentration

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

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

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the years ended December

31, 2018, and 2017, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

	Year ended December 31, 2018	
Line of Business	Premiums revenue	Retention premiums
Fire insurance	$ 1,105,923	$ 523,467
Engineering insurance	43,542	10,924

	For the period from January 17, 2017 to December 31, 2017	
Line of Business	Premiums revenue	Retention premiums
Fire insurance	$ 1,045,408	$ 416,644
Engineering insurance	73,610	8,936

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

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claims reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for the years ended December 31, 2018 and 2017 and the result is shown below:

Line of Business	Year ended December 31, 2018			
	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	$ 100,422	$ 89,253	$ 100,422	$ 89,253
Automobile third party liability insurance	48,388	44,471	48,388	44,471
Personal property insurance	6,673	4,005	6,673	4,005
Commercial property insurance	41,109	16,569	41,109	16,569
Liability insurance	22,903	17,295	22,903	17,295
Marine cargo insurance	8,861	7,056	8,861	7,056
Engineering insurance	3,908	745	3,908	745
Personal accident insurance	42,953	40,353	42,953	40,353
Health insurance	6,897	5,821	6,897	5,821
Foreign inward reinsurance	1,323	1,304	1,323	1,304

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

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the years ended December 31, 2018 and 2017.

C. Loss development pattern

As of December 31, 2018 and 2017, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows：

(a) Direct business

Unit:NTD

December 31, 2018	Accident Year					
Development Year	≦2014	2015	2016	2017	2018	Total
End of underwriting year	$19,944,293	$ 1,399,479	$ 2,644,742	$ 1,788,662	$ 2,584,648	
One year after underwriting year	19,836,286	1,401,087	2,344,556	1,806,176	-	
Two years after underwriting year	19,902,165	1,395,084	2,297,738	-	-	
Three years after underwriting year	19,925,398	1,321,887	-	-	-	
Four years after underwriting year	19,870,450	-	-	-	-	
Estimated ultimate losses	19,870,450	1,321,887	2,297,738	1,806,176	2,584,648	
Paid losses	(19,484,893)	(1,130,314)	(2,070,451)	(1,263,860)	(1,574,267)	
Total reserve	$ 385,557	$ 191,573	$ 227,287	$ 542,316	$ 1,010,381	$ 2,357,114
Adjustment item (Note)						244,870
Realized amount in balance sheet						$ 2,601,984

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

(b) Retention business

Unit: NTD

December 31, 2018	Accident Year					
Development Year	≦2014	2015	2016	2017	2018	Total
End of underwriting year	$13,034,142	$ 1,197,810	$ 1,100,469	$ 1,351,056	$ 2,301,559	
One year after underwriting year	13,003,762	1,216,337	1,112,765	1,375,530	-	
Two years after underwriting year	12,979,752	1,225,395	1,069,063	-	-	
Three years after underwriting year	13,006,010	1,181,837	-	-	-	
Four years after underwriting year	12,969,819	-	-	-	-	
Estimated ultimate losses	12,969,819	1,181,837	1,069,063	1,375,530	2,301,559	
Paid losses	(12,692,504)	(1,015,999)	(923,829)	(1,051,392)	(1,436,083)	
Total reserve	$ 277,315	$ 165,838	$ 145,234	$ 324,138	$ 865,476	$ 1,778,001
Adjustment item (Note)						189,537
Realized amount in balance sheet						$ 1,967,538

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

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

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

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

December 31, 2018	Book value	Within 12 months	Over 12 months
Assets			
Cash and cash equivalents	$ 1,564,420	$ 1,564,420	$ -
Receivables	605,870	605,870	-
Current tax assets	13,777	-	13,777
Financial assets at fair value through profit or loss	3,378,951	2,878,951	500,000
Assets held for sale	15,767	15,767	-
Other financial assets	1,550,442	1,493,201	57,241
Financial assets at fair value through other comprehensive income	1,551,395	267,421	1,283,974
Investment property	325,567	-	325,567
Reinsurance contract assets	1,642,862	1,225,913	416,949
Property and equipment	2,594,886	-	2,594,886
Intangible assets	66,412	-	66,412
Other assets	443,865	31,870	411,995
Liabilities			
Payables	$ 942,875	$ 942,875	$ -
Insurance liabilities	8,084,026	4,798,752	3,285,274
Current income tax liabilities	-	-	-
Other liabilities	96,040	94,043	1,997

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

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

Beginning on July 31, 2017, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Yuanta Securities Investment Trust Company Limited ("Yuanta Funds") and First Securities Investment Trust Company Limited ("FSITC"), to commission Yuanta Funds and FSITC to manage the investment in domestic and foreign listed companies' stocks and short-term notes and bills totaling $500,000 and $1,000,000, respectively. However, the Company adjusted the commissioned investment amounts in Yuanta Funds and FSITC to $700,000 and $800,000, respectively, in November 2018.

In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited ("JPMorgan"), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. The ceiling of this commissioned contract is based on the limit stipulated in the regulations.

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

	Year ended December 31, 2018					
Category of Insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	$ 135,298	$ 126,083	$ 114,422	$ 146,959	$ 10,692	$ 136,267
Elective insurance	6,179,371	238,431	1,281,733	5,136,069	596,358	4,539,711
	6,314,669	364,514	1,396,155	5,283,028	607,050	4,675,978
Discount	2	-	-	2	-	2
	$ 6,314,671	$ 364,514	$ 1,396,155	$ 5,283,030	$ 607,050	$ 4,675,980

	For the period from January 17, 2017 to December 31, 2017					
Category of Insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	$ 173,262	$ 108,787	$ 87,284	$ 194,765	$ 8,299	$ 186,466
Elective insurance	4,543,340	251,408	1,028,236	3,766,512	760,649	3,005,863
	4,716,602	360,195	1,115,520	3,961,277	768,948	3,192,329
Discount	15	-	-	15	-	15
	$ 4,716,617	$ 360,195	$ 1,115,520	$ 3,961,292	$ 768.948	$ 3,192,344

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

	Year ended December 31, 2018			
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	$ 130,428	$ 113,033	$ 77,927	$ 165,534
Elective insurance	2,245,524	33,765	299,721	1,979,568
	$ 2,375,952	$ 146,798	$ 377,648	$ 2,145,102

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

(11) Financial information of compulsory automobile insurance:

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

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

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 1,548,083	$ 1,511,891
Notes receivable	1,822	1,708
Premiums receivable	8,010	4,589
Claims recoverable from reinsurers	2,686	21,230
Due from reinsurance and ceding companies	20,830	9,857
Ceded unearned premium reserve	61,729	50,872
Ceded claim reserve	60,779	47,888
Temporary payments and suspense accounts	423	161
Total assets	$ 1,704,362	$ 1,648,196
Liabilities		
Claims payable	$ 227	$ 28,328
Due to reinsurance and ceding companies	21,617	10,364
Unearned premium reserve	175,478	153,930
Claims reserve	200,079	168,675
Special reserve	1,306,825	1,285,893
Temporary payments and suspense accounts	136	1,006
Total liabilities	$ 1,704,362	$ 1,648,196

As of December 31, 2018 and 2017, the subsidiary, Hotai Insurance Co., Ltd., had long-term time deposits amounting to $1,420,263 and $1,461,763, respectively, shown as other financial assets in the balance sheets.

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

	Year ended December 31, 2018	For the period from January 17, 2017 to December 31, 2017
Operating revenues		
Written premiums	$ 190,698	$ 153,184
Reinsurance premiums	126,083	108,787
Less: Reinsurance premiums ceded	(114,422)	(87,284)
Net change in unearned premium reserve	(10,692)	(6,113)
Retention earned premiums	191,667	168,574
Interest income	13,309	12,291
	$ 204,976	$ 180,865
Operating costs		
Claim expenditures	$ 130,428	$ 136,396
Reinsurance claim expenditures	113,032	92,942
Less: Reinsurance claims recovery	(77,927)	(75,233)
Retention claim expenditures	165,533	154,105
Net change in claims reserve	18,512	(16,731)
Net change in special reserve	20,931	43,491
	$ 204,976	$ 180,865

(12) Capital management- Hotai Insurance Co., Ltd.

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

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

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

(13) The total amount of current assets and liabilities of the subsidiary, Hotai Finance Co., Ltd., that are expected to be recovered and repaid within or over 12 months

December 31, 2018	Book value	Within 12 months	Over 12 months
Assets			
Cash and cash equivalents	$ 464,836	$ 464,836	$ -
Current financial assets for hedging	70,038	-	70,038
Accounts and notes receivable, net	111,984,216	41,487,166	70,497,050
Other receivables	186,946	186,946	-
Inventories	13,029	13,029	-
Prepayments	5,407,985	3,977,144	1,430,841
Other current financial assets	553,468	553,468	-
Liabilities			
Current borrowings	$ 53,911,741	$ 41,120,217	$ 12,791,524
Short-term notes and bills payable	44,424,835	33,192,647	11,232,188
Current financial liabilities for hedging	52,424	1,486	50,938
Accounts and notes payable (including related parties)	1,204,492	1,204,492	-
Other payables	1,216,024	1,216,024	-
Current tax liabilities	390,619	390,619	-
Other current financial liabilities	81,738	81,738	-
Bonds payable	5,200,000	-	5,200,000
Guarantee deposits received - current	3,392,510	1,539,177	1,853,333
Other current liabilities, others	90,603	90,603	-

December 31, 2017	Book value	Within 12 months	Over 12 months
Assets			
Cash and cash equivalents	$ 763,737	$ 763,737	$ -
Accounts and notes receivable, net	99,734,863	43,152,434	56,582,429
Other receivables	193,694	193,694	-
Inventories	11,623	11,623	-
Prepayments	4,772,170	3,565,474	1,206,696
Other current financial assets	555,423	555,423	-
Liabilities			
Short-term borrowings	$ 39,332,954	$ 31,564,747	$ 7,768,207
Short-term notes and bills payable	50,116,160	38,881,524	11,234,636
Current financial liabilities for hedging	403,699	334,582	69,117
Accounts and notes payable (including related parties)	1,188,965	1,188,965	-
Other payables	947,497	947,497	-
Current tax liabilities	313,149	313,149	-
Other current financial liabilities	74,600	74,600	-
Bonds payable	2,800,000	-	2,800,000
Guarantee deposits received - current	3,320,314	1,640,029	1,680,285
Other current liabilities, others	108,472	108,472	-

(14) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of adopting significant accounting policies adopted in 2017:

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

i. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. 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.

iii. 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.

(b) Available-for-sale financial assets

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

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

iii. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. When derecognizing the financial assets, the accumulated gains or losses should be reclassified from equity into profits or losses.

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

(c) 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.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) 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;

(vii) 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;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(i) 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.

(ii) Available-for-sale financial assets

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

(iii) Other financial assets

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

(e) Financial guarantee contracts

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

(f) Derivative financial instruments and hedging activities

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

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

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

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

v. Cash flow hedge

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

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

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

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1,2018, IFRS 9, were as follows:

		Available-for-sale -equity	Available-for-sale -liability		Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-liability	Total	Retained earnings	Other equity
December 31, 2017 (IAS 39)	$ 764,921	$ 2,362,859	$ 4,876,212	$ 8,003,992	$ -	$ -
Transferred into and measured at fair value through profit or loss	2,494,004	(1,494,004)	(1,000,000)	-	-	-
Fair value adjustment	-	(22,037)	-	(22,037)	-	(22,037)
Impairment loss adjustment	-	22,037	-	22,037	22,037	-
January 1, 2018 (IFRS 9)	$ 3,258,925	$ 868,855	$ 3,876,212	$ 8,003,992	$ 22,037	($ 22,037)

(a) Under IAS 39, because the cash flows of debt instruments, which were classified as: available-for-sale financial assets, amounting to $1,000,000, do not meet the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at fair value through profit or loss on initial application of IFRS 9" .

(b) Under IAS 39, because the cash flows of debt instruments, which were classified as: available-for-sale financial assets, amounting to $3,876,211, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments) on initial application of IFRS 9".

(c) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets, amounting to $868,855, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)", increased retained earnings and decreased other equity interest in the amounts of $22,037 and $22,037 on initial application of IFRS 9.

(d) Under IAS 39, the equity instruments, which were classified as: available-for-sale financial assets, amounting to $1,494,004, were reclassified as "financial assets at fair value through profit or loss (equity instruments) on IFRS 9".

C. The significant accounts as of December 31, 2017, are as follows:

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

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

i. The Group recognized net loss of $179,370 on financial assets held for trading for the year ended December 31, 2017.

ii. The Group's counterparties of investments in debt instrument have good credit quality.

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

	December 31, 2017	
Derivative financial instruments	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 286,300	2017/10/6~2018/3/14
Foreign exchange swap contracts	USD 26,800	2017/11/16~2018/2/27

The Group entered into forward foreign exchange contracts and foreign exchange swap contracts to buy USD to hedge exchange rate risk of import proceeds and foreign investments. However, these forward foreign exchange contracts and foreign exchange swap contracts are not accounted for under hedge accounting. In addition, Hotai Insurance Co., Ltd. considers the maximum exposure amount after master netting arrangements as the net amount after offsetting. Please refer to Note 6(6) of 2018 financial statements.

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

(b) Available-for-sale financial assets

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

i. The Group recognized gain of 42,975 in other comprehensive (loss) income for fair value change for the year ended December 31, 2017.

ii. Hotai Insurance Co., Ltd. recognized interest income of $79,711 on available-for-sale financial assets for the year ended December 31, 2017 and the period from January 17, 2017 to December 31, 2017, respectively.

iii. Under the Insurance Law of the Republic of China, the subsidiary, Hotai Insurance Co., Ltd., is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of December 31, 2018 and 2017, government bonds with par value both of $300,300 were deposited and shown as "other assets". Please refer to Note 6(14) of 2018 financial statements.

(c) Hedge accounting

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

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

ii. Cash flow hedges

	Designated as hedging instruments			
Hedged items	Derivative instruments designated as hedges	Fair value December 31, 2017	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss
Short-term loans	Cross currency swaps	($ 403,699)	2015.04～2020.03	2015～2020

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

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

Items	Year ended December 31, 2017
Amount of gain or loss adjusted in other comprehensive income	($ 22,335)
Amount of gain or loss transferred from other comprehensive income to profit or loss	($ 23,427)

D. Credit risk information for the year ended December 2017 and for the third quarter of 2017 are as follows :

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation 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 rating are accepted.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting period and management does not expect any significant losses from non-performance by these counterparties.

(c) Movements of the Group's provision for impairment of accounts receivable are as follows:

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

	Year ended December 31, 2017
At January 1	$ 1,302,284
Acquired from business combinations	23,479
Provisions during the period	1,225,319
Write-offs during the period	(890,894)
Others	(1,509)
At December 31	$ 1,658,679

(d) Credit risk information of subsidiary, Hotai Insurance Co., Ltd., are as follows:

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

A. Cash and cash equivalent

B. Debt securities

C. Receivables

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

i. Investments credit risk

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

(i) Cash and cash equivalents

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

(ii) Debt securities

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

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

December 31, 2017

Credit rating levels (Taiwan Ratings)	Book Value	Percentage
tw AAA	$ 433,685	17
tw AA+	147,845	6
tw AA	301,776	12
tw AA-	928,850	37
tw A+	476,092	19
tw A	192,956	8
tw A-	18,847	1
Total	$ 2,500,051	100

ii. Credit risk from insurance brokers/agents

The subsidiary, Hotai Insurance Co., Ltd. handles credit risk from insurance brokers/agents in accordance with "Regulations Governing Insurance Brokers/Agents". In choosing insurance brokers/agents, the marketing/business units first confirm that the insurance brokers/agents meet the subsidiary, Hotai Insurance Co., Ltd.'s requirements in order to mitigate the credit risk and carry out subsequent collections and tracking in accordance with "Regulations Governing Fees and Charges" set by the subsidiary, Hotai Insurance Co., Ltd.

iii. Reinsurance Credit Risk

Year ended December 31, 2017

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	$ 2,570	0.27
AA	3,388	0.36
AA-	470,223	49.79
A+	205,139	21.72
A	17,416	1.85
A-	6,944	0.74
BBB+	1,703	0.18
Unrated	236,963	25.09
Total	$ 944,346	100.00

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

iv. Credit risk related to receivables

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

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

December 31, 2017

Financial assets and reinsurance contract assets	Neither past due nor impaired	Past due but not impaired Ageing analysis Between 0 and 3 months	 Between 3 and 6 months	 Over 6 months	Impairment reserves and allowance for bad debts	Total
Cash and cash equivalents	$ 2,226,345	$ -	$ -	$ -	$ -	$ 2,226,345
Receivables	492,197	-	19,182	3,298	19,361	495,316
Financial assets at fair value through profit or loss	7,714	-	-	-	-	7,714
Available-for-sale financial assets (Note)	6,074,572	-	-	-	-	6,074,572
Other financial assets	1,552,988	-	-	-	-	1,552,988
Reinsurance contract assets	1,469,210	-	-	7,910	8,681	1,468,439
Refundable deposits	53,688	-	-	-	-	53,688
Total	$ 11,876,714	$ -	$ 19,182	$ 11,208	$ 28,042	$ 11,879,062

Note: Operation bonds are included.

The credit information of neither past due nor impaired assets on above tables is shown in the aforementioned credit rating analysis.

(15) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 and for the third quarter of 2017 are set out below.

(a) Sales of goods

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

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

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

(b) Sales of services

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

(c) A sale agreement comprising of multiple components

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

(d) Recognition of insurance revenue and deferred acquisition cost

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

i. For the revenue recognition polices on insurance and reinsurance contract, please refer to Notes 4(32) and (33) of 2017 financial statements, respectively.

ii. Commission revenue is recognized on the accrual basis of the service period.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

(a) Interest income

	Year ended December 31, 2017
Installment revenue	$ 4,349,684
Finance lease revenue	1,515,274
Interest from deposits and short-term notes	131,173
Other interest income	86,924
	$ 6,083,055

(b) Premium

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

C. The effects and description of current balance sheet and comprehensive income statement items if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable	(1)	$ 122,661,761	$ 122,680,541	($ 18,780)
Contract assets	(1)	18,780	-	18,780
Contract liabilities	(1)	994,964	-	994,964
Other payables	(1)	1,458,313	1,586,407	(128,094)
Advance receipts	(1)	274,865	1,141,735	(866,870)
Other income	(2)	663,383	1,218,888	(555,505)
Revenue From interest	(2)	8,170,708	7,615,203	555,505
Accrued expenses	(3)	4,844,381	5,537,233	(692,852)
Refund liabilities	(3)	692,852	-	692,852

(a) Under IFRS 15, the Group reclassified construction contract receivable of $18,780, other payables of $128,094 and advance sales receipts of $866,870 as contract assets and contract liabilities amounting to $18,780 and $994,964, respectively.

(b) In accordance with IFRS 15, other income amounting to $555,505 was reclassified to interest income when identifying contracts with customers.

(c) In accordance with IFRS 15, expense payable amounting to $692,852 was reclassified to refund liabilities (shown as other current liabilities).

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows:

A. Significant transactions information

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

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

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

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

(e) Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer 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, 2018:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 249,726	2018.10.15~2019.3.14	($ 14,876)	($ 14,876)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 20,000	2019.1.28~2019.2.27	4,313	4,313
Hotai Finance Co., Ltd.	Cross currency swaps	USD 200,000	2020.3.13~2021.9.17	19,100	19,100
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 5,000	2019.5.10	(1,486)	(1,486)

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

B. Information on investees

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

C. Information on investments in Mainland China

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

(b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

iii. The amount of property transactions and the amount of the resulting gains or losses: None.

iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.

v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds: Please refer to table 1.

vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

14. SEGMENT INFORMATION

(1) General information

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

A. Distributor of Toyota and Hino products segments: distributor for sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Ho Tai Motor Co., Ltd. As of December 31, 2018, the Company’s self-owned capital ratio was 75%.

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

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

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

(2) Measurement of segment information

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

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

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

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

	Year ended December 31, 2018					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 105,195,659	$ 7,724,486	$ 18,681,090	$ 55,426,351	$ -	$ 187,027,586
Inter-segment revenue (Note)	9,431,436	328,093	332,491	8,466,915	(18,558,935)	-
Total segment revenue	$ 114,627,095	$ 8,052,579	$ 19,013,581	$ 63,893,266	($ 18,558,935)	$ 187,027,586
Segment income (loss) (Note)	$ 11,932,596	$ 2,251,361	$ 956,542	$ 9,059,510	($ 9,004,735)	$ 15,195,274
Depreciation and amortization	$ 89,916	$ 223,661	$ 7,319,073	$ 407,993	$ 3,963	$ 8,044,606
Income tax expense	$ 1,907,061	$ 489,846	$ 412,440	$ 786,097	$ -	$ 3,595,444
Gain on investments accounted for using equity method	$ 4,500,124	$ 78,121	$ 91,161	$ 3,640,460	($ 7,303,936)	$ 1,006,530
Segment assets	$ 66,132,309	$103,043,040	$ 51,840,019	$ 70,889,740	($ 62,519,403)	$ 229,385,705
Segment liabilities	$ 16,796,583	$ 92,737,741	$ 45,374,986	$ 17,949,485	($ 1,709,048)	$ 171,149,747

	Year ended December 31, 2017					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	$ 109,864,178	$ 6,692,444	$ 18,512,554	$ 45,705,414	$ -	$ 180,774,590
Inter-segment revenue (Note)	7,976,032	387,261	217,413	6,709,955	(15,290,661)	-
Total segment revenue	$ 117,840,210	$ 7,079,705	$ 18,729,967	$ 52,415,369	($ 15,290,661)	$ 180,774,590
Segment income (loss) (Note)	$ 11,761,938	$ 1,836,316	$ 817,173	$ 5,754,090	($ 5,885,475)	$ 14,284,042
Depreciation and amortization	$ 88,653	$ 291,077	$ 7,164,752	$ 373,296	($ 8,235)	$ 7,909,543
Income tax expense	$ 1,646,331	$ 361,418	$ 173,634	$ 538,064	$ -	$ 2,719,447
Gain on investments accounted for using equity method	$ 4,455,575	$ 67,145	$ 71,271	$ 2,831,149	($ 5,868,848)	$ 1,556,292
Segment assets	$ 61,074,145	$ 91,714,836	$ 46,057,390	$ 62,519,603	($ 54,772,488)	$ 206,593,486
Segment liabilities	$ 14,418,844	$ 82,222,253	$ 40,687,507	$ 15,206,696	($ 817,962)	$ 151,717,338

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

(4) Reconciliation for segment income (loss)

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

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

(5)Information on products and services

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

Details of revenue balance are as follows:

	Years ended December 31,	
	2018	2017
Sales revenue	$ 158,221,271	$ 154,736,368
Rental revenue	11,614,482	11,351,201
Interest revenue	8,170,708	6,083,055
Premium	4,675,980	3,192,344
Others	4,345,145	5,411,622
	$ 187,027,586	$ 180,774,590

(6)Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	$ 164,360,899	$ 58,905,070	$ 161,359,241	$ 53,037,222
Mainland China	22,666,687	4,106,367	19,415,349	3,256,601
	$ 187,027,586	$ 63,011,437	$ 180,774,590	$ 56,293,823

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

(7)Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Segment	Revenue	Segment
A	$21,866,118	Distributor of Toyota and Hino products	$22,869,007	Distributor of Toyota and Hino products
B	19,982,922	"	21,333,190	"
C	16,570,774	"	17,188,053	"

Ho Tai Motor Co., Ltd.
Loans to others
Year ended December 31, 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	$ 163,618	$ 156,577	$ 17,894	2.15%	Short-term financing	-	Operations	$ -	None	$ -	$ 261,637	$ 261,637	
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	303,862	290,785	19,684	2.15%	〃	-	〃	-	〃	-	514,044	514,044	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	116,870	111,841	62,631	2.15%	〃	-	〃	-	〃	-	170,042	170,042	
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	116,870	111,841	-	2.15%	〃	-	〃	-	〃	-	371,887	371,887	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	303,862	290,785	115,419	2.15%	〃	-	〃	-	〃	-	396,720	396,720	
6	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	70,122	67,104	-	2.15%	〃	-	〃	-	〃	-	164,108	164,108	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	210,366	201,313	80,525	2.15%	〃	-	〃	-	〃	-	302,960	302,960	
8	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	210,366	201,313	86,341	2.15%	〃	-	〃	-	〃	-	298,394	298,394	
9	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	116,870	111,841	45,184	2.15%	〃	-	〃	-	〃	-	214,544	214,544	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	116,870	111,841	90,367	2.15%	〃	-	〃	-	〃	-	256,614	256,614	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	140,244	134,209	-	2.15%	〃	-	〃	-	〃	-	339,114	339,114	
12	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	560,975	536,835	-	2.15%	〃	-	〃	-	〃	-	1,021,625	1,021,625	
13	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	6,739	5,816	-	2.15%	〃	-	〃	-	〃	-	7,347	7,347	
14	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	〃	〃	58,406	58,157	35,789	2.15%	〃	-	〃	-	〃	-	150,222	150,222	
15	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	〃	〃	116,870	111,841	17,313	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	〃	〃	185,515	156,577	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	〃	〃	116,870	111,841	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	〃	〃	116,870	111,841	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	〃	〃	116,870	111,841	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	〃	〃	373,983	357,890	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	303,862	290,785	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	303,862	290,785	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	〃	〃	116,870	111,841	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	163,618	156,577	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	〃	23,374	22,368	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	〃	〃	140,244	134,209	-	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	〃	〃	140,244	134,209	53,236	3.35%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
15	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	〃	〃	233,740	223,681	-	3.85%	〃	-	〃	-	〃	-	4,399,796	8,799,592	
16	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	〃	〃	233,740	223,681	-	5.44%	〃	-	〃	-	〃	-	3,135,247	6,270,494	

Ho Tai Motor Co., Ltd.

Provision of endorsements and guarantees to others

Year ended December 31, 2018

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

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Note (4.b)	$ 14,800,718	$ 921,674	$ 921,674	$ -	$ -	1.87%	$ 24,667,863	Y	N	N	Note 1
0	Ho Tai Motor Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	〃	14,800,718	185,730	184,290	-	-	0.37%	24,667,863	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	〃	14,800,718	170,253	168,933	-	-	0.34%	24,667,863	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	〃	14,800,718	139,298	138,218	-	-	0.28%	24,667,863	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	〃	14,800,718	139,298	138,218	-	-	0.28%	24,667,863	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	〃	14,800,718	46,433	46,073	-	-	0.09%	24,667,863	Y	N	Y	〃
0	Ho Tai Motor Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	〃	14,800,718	139,298	138,218	-	-	0.28%	24,667,863	Y	N	Y	〃
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Note (4.a)	10,305,300	3,994,963	3,578,898	1,631,978	-	34.73%	10,305,301	Y	N	Y	Note 2
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	〃	10,305,300	336,742	332,520	-	-	3.23%	10,305,301	Y	N	Y	〃
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd.	Note (4.b)	849,171	30,955	30,715	-	-	3.62%	424,586	Y	N	Y	Note 3

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

Note 2： For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of it's total equity; the limit on 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.

Note 4： Relationship between the endorser/guarantor:
a. The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.
b. The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

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, 2018
(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, 2018 Number of shares	Book value	Ownership (%)	Fair value	Footnote
Ho Tai Motor Co., Ltd.	Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current	20,617,157	$ 535,015	0.15%	$ 535,015	
	-Toyota Motor Corporation	-	〃	3,191,200	5,687,195	0.10%	5,687,195	
	- Shihlin Electric & Engineering Corporation Etc.	None	〃	-	89,700	0.00%～0.42%	89,700	
	Taian Insurance Co., Ltd. Etc.	-	〃	-	251,514	0.42%～3.62%	251,514	
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss-non-current	-	500,000	-	500,000	
			Valuation adjustment of financial assets		-		-	
			Total		$ 500,000		$ 500,000	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	$ 2,814	0.50%	$ 2,814	
	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	10,886,345	112,140	-	112,357	
			Valuation adjustment of financial assets		217		-	
			Total		$ 112,357		$ 112,357	
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	43,692,158	$ 446,727	-	$ 450,942	
			Valuation adjustment of financial assets		4,215		-	
			Total		$ 450,942		$ 450,942	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other compreensive income - non-current	-	$ 3,159	0.01%～0.50%	$ 3,159	
	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	9,705,346	100,000	-	100,168	
	- CTBC Hwa-win Money Market Fund	〃	〃	1,820,134	20,000	-	20,029	
			Valuation adjustment of financial assets		197		-	
			Total		$ 120,197		$ 120,197	
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	$ 1,183	-	$ 1,183	
	Ho An Insurance Agency Co., Ltd. Etc.	-	〃	-	3,159	0.01%～0.51%	3,159	
	President securites Corp-PGNW0085	Not applicable	Financial assets at fair value through profit or loss - current	-	95,943	-	96,047	
			Valuation adjustment of financial assets		104		-	
			Total		$ 96,047		$ 96,047	
Ho Tai Service & Marketing Co., Ltd	Bestaiwan Co., Ltd.	None	Financial assets at fair value through other comprehensive income - 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	-	30,224	
			Valuation adjustment of financial assets		224		-	
			Total		$ 30,224		$ 30,224	

		Relationship with the		As of December 31, 2018				Footnote
Securities held by	Type and name of securities	securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income- non-current	-	$ 2,814	0.50%	$ 2,814	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	〃	-	$ 2,814	0.50%	$ 2,814	
Ho Tai Cyber Connection Co., Ltd	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	7,753,967	$ 80,000	-	$ 80,028	
			Valuation adjustment of financial assets		28		-	
			Total		$ 80,028		$ 80,028	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	〃	-	$ 23,503	10.48%	$ 23,503	

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

Ho Tai Motor Co., Ltd.

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

Year ended December 31, 2018

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

Table 4

					Balance as at January 1, 2018		Addition		Disposal				Balance as at December 31, 2018	
Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investee	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Ho Tai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss- current	Not applicable	Not applicable	-	$ -	82,092,826	$ 900,000	82,092,826	$ 901,119	$ 900,000	$ 1,119	-	$ -
Ho Tai Motor Co., Ltd.	Jih Sun Money Market Fund	〃	〃	〃	-	-	27,149,383	400,000	27,149,383	400,937	400,000	937	-	-
Ho Tai Motor Co., Ltd.	Mega Diamond Money Market Fund	〃	〃	〃	-	-	56,083,790	700,000	56,083,790	701,089	700,000	1,089	-	-
Ho Tai Motor Co., Ltd.	FSITC Money Market Fund	〃	〃	〃	-	-	39,427,127	600,000	39,427,127	601,256	600,000	1,256	-	-
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Financial assets at fair value through other comprehensive income-non- current	〃	〃	-	-	3,191,200	6,083,183	-	-	-	-	3,191,200	5,687,195
Carmax Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss- current	〃	〃	14,638,552	150,000	24,290,034	250,000	29,223,240	300,923	300,000	923	9,705,346	100,168
Ho Tai Development Co., Ltd.	President securities Corp.- PGN0085	〃	〃	〃	-	95,943	-	910,159	-	913,052	910,159	2,893	-	96,047

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, 2018

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

Table 5

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Prior transaction of related conterparty: Owner	Relationship	Transfer date	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Hotai Leasing Co., Ltd.	Land and building located in No.60~69 Chengtai Section, Wugu Dist., New Taipei City	2017.12.21	$ 1,380,000	1,380,000	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 city, China	2017.12.21	965,608	965,608	Greentown Property Service Group Co., Ltd. Shanghai Branch.	None	-	-	-	-	Evaluated by professional appraisal institute and active market price	Operation purpose	None
Carmax Co., Ltd.	Land located in No. 3, Huaya Section, Guishan District, Taoyuan City	2018.9.26	477,940	477,940	Natural person	None	-	-	-	-	Evaluated by professional appraisal institute and active market price	Operation purpose	None
Hotai Insurance Co., Ltd.	Land located in No.96-11, Jintai Sec., Zhongshan Dist., Taipei City	2018.12.04	2,202,787	2,202,787	Natural person	None	-	-	-	-	Evaluated by professional appraisal institute and active market price	Owner-occupied	None

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, 2018

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

Table 6

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	$ 21,865,842	28%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	$ 439,220	16%	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	19,979,421	25%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	356,004	13%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	16,557,920	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	350,691	13%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	15,051,068	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	489,181	18%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	14,613,035	18%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	293,586	11%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	12,889,691	16%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	251,383	9%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	2,255,171	3%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	52,211	2%	
Ho Tai Motor Co., Ltd.	Easterm Motor Co., Ltd.	Subsidiary	〃	1,792,837	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	48,778	2%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	〃	〃	1,504,972	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	〃	253,029	9%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	〃	〃	1,092,030	1%	Collection at sight	Normal	〃	85,145	3%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	〃	117,919	-	Collection at sight	〃	〃	9,510	-	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	35,215,454	35%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	〃	(343,572)	4%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	〃	35,713,057	35%	Closes its accounts 15 days after the end of each month	〃	〃	(3,942,992)	47%	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	〃	〃	2,911,134	3%	Closes its accounts 15 days after the end of each month	〃	〃	(18,787)	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	〃	〃	2,957,035	3%	Closes its accounts 15 days after the end of each month	〃	〃	(961,284)	12%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	〃	1,507,843	1%	Closes its accounts 16 days after the end of each month	〃	〃	(293,478)	4%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	〃	730,279	1%	Closes its accounts 16 days after the end of each month	〃	〃	(95,063)	1%	
Ho Tai Motor Co., Ltd.	Toyota Motor Sales-USA	Entity controlled by the Company's key management	〃	239,564	-	Closes its accounts 15 days after the end of each month	〃	〃	-	-	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	〃	〃	312,635	-	Closes its accounts 15 days after the end of each month	〃	〃	(5,761)	-	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	〃	1,504,972	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	Not applicable	(253,029)	35%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	〃	9,004,447	71%	7 days after invoice date	〃	〃	(185,723)	26%	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	〃	Sales	612,300	4%	14 days after invoice date	Normal	Normal	45,285	2%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	〃	〃	420,508	3%	Collection at sight	〃	〃	-	-	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	161,009	1%	7 days after invoice date	〃	〃	2,358	-	
Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	〃	〃	101,374	1%	Closes its accounts 7 days after the end of each week	〃	〃	1,040	-	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	Purchases	345,427	52%	Closes its accounts 15 days after the end of each month	Not applicable	〃	(18,158)	15%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Sales	1,507,843	26%	Closes its accounts 16 days after the end of each month	Normal	〃	293,478	22%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	〃	524,127	9%	Closes its accounts 35 days after the end of each month	〃	〃	122,609	9%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	〃	〃	445,275	8%	Closes its accounts 35 days after the end of each month	〃	〃	113,822	8%	
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	〃	〃	403,986	7%	Closes its accounts 25 days after the end of each month	〃	〃	69,776	5%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	〃	〃	337,603	6%	Closes its accounts 10 days after the end of each month	〃	〃	57,186	4%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	〃	〃	298,948	5%	Closes its accounts 40 days after the end of each month	〃	〃	65,121	5%	
Carmax Co., Ltd.	Chang Guan Logistics Co., Ltd.	〃	〃	293,945	5%	Closes its accounts 40 days after the end of each month	〃	〃	59,529	4%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	〃	〃	190,037	3%	Closes its accounts 40 days after the end of each month	〃	〃	39,388	3%	
Carmax Co., Ltd.	Ho Tai Motor Co.,Ltd.	Parent company	Purchases	117,919	2%	Closes its accounts 10 days after the end of each month	〃	〃	(9,510)	1%	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Carmax Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	〃	203,487	4%	Closes its accounts 21 days after the end of each month	Normal	Normal	(8,742)	1%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	〃	200,498	4%	Closes its accounts 10 days after the end of each month	〃	〃	(28,252)	4%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	200,498	92%	Closes its accounts 10 days after the end of each month	〃	〃	28,252	97%	
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	Associates	Purchases	6,725,755	15%	Payment at sight	〃	〃	(41,590)	7%	Note 1
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	〃	〃	5,061,053	11%	Payment at sight	〃	〃	(126,664)	20%	〃
Hotai Finance Co., Ltd.	Kau Du Automible Co., Ltd.	〃	〃	5,075,517	11%	Payment at sight	〃	〃	(120,129)	19%	〃
Hotai Finance Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	4,035,044	9%	Payment at sight	〃	〃	(45,770)	7%	〃
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	4,184,138	9%	Payment at sight	〃	〃	(146,355)	23%	〃
Hotai Finance Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	4,997,564	11%	Payment at sight	〃	〃	(11,360)	2%	〃
Hotai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	743,247	2%	Payment at sight	〃	〃	(8,180)	1%	〃
Hotai Finance Co., Ltd.	Eastern Motor Co., Ltd.	〃	〃	714,463	2%	Payment at sight	〃	〃	(14,140)	2%	〃
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	〃	1,092,030	8%	Payment at sight	〃	〃	(85,145)	69%	Note 2
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	〃	2,272,415	17%	Payment at sight	〃	〃	(4,501)	4%	〃
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	〃	1,379,916	11%	Payment at sight	〃	〃	(38)	-	〃
Hotai Leasing Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	〃	822,492	6%	Payment at sight	〃	〃	-	-	〃
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	〃	〃	845,629	6%	Payment at sight	〃	〃	(2,130)	2%	〃
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	599,215	5%	Payment at sight	〃	〃	(3,720)	3%	〃
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	480,735	4%	Payment at sight	〃	〃	(6,239)	5%	〃
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	〃	〃	420,508	3%	Payment at sight	〃	〃	-	-	〃
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	196,992	38%	Closes its accounts 60 days after the end of each month	〃	〃	42,633	13%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	Purchases	196,992	2%	Closes its accounts 60 days after the end of each month	〃	〃	(42,633)	29%	
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Purchases	1,792,837	85%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	〃	〃	(48,778)	73%	
Eastern Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Associates	〃	101,374	5%	Closes its accounts 7 days after the end of each week	〃	〃	(1,040)	2%	
Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	〃	Sales	714,463	31%	Collection at sight	〃	〃	14,140	1%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	3,087,289	92%	Payment in advance	〃	〃	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,959,901	88%	Payment in advance	〃	〃	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,859,502	95%	Payment in advance	〃	〃	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,704,377	93%	Payment in advance	〃	〃	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,415,665	100%	Payment in advance	〃	〃	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	1,429,866	97%	Payment in advance	〃	〃	-	-	
Tianjin Hozhan Motor Service Co.,Ltd.	Toyota Motor (China) Investment Co., Ltd.	〃	〃	110,081	11%	Payment in advance	〃	〃	-	-	
Hotong Motor Investment Co.,Ltd.	Carmax Autotech (Shanghai) Co.,Ltd.	Associates	〃	109,308	100%	Closes its accounts 30 days after the end of each month	〃	〃	(19,423)	16%	

Note1: It was the installment sales to related party. Details are provided in Note 7(2)B(i).

Note2: 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, 2018

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

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018		Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	$ 439,220	48.85	$ -	None	439,220	$ -
			Other receivables	$ 62,922				62,922	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	Accounts receivable	$ 356,004	51.76	-	〃	356,004	-
			Other receivables	$ 65,089				65,089	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	〃	Accounts receivable	$ 489,181	29.63	-	〃	489,181	-
			Other receivables	$ 67,025				67,025	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	Accounts and notes receivable	$ 293,586	47.91	-	〃	293,586	-
			Other receivables	$ 44,480				44,480	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	〃	Accounts receivable	$ 350,691	44.03	-	〃	350,691	-
			Other receivables	$ 36,956				36,956	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	Accounts receivable	$ 251,383	52.47	-	〃	251,383	-
			Other receivables	$ 40,844				40,844	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	$ 253,029	8.15	-	〃	253,029	-
			Other receivables	$ 16,098				16,098	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	$ 293,478	6.51	-	〃	293,478	-
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Accounts receivable	$ 122,609	45.56	-	〃	122,609	-
Carmax Co., Ltd.	Wang Fu Co., Ltd.	〃	Accounts receivable	$ 113,822	48.20	-	〃	113,822	-

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

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

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	$ 1,504,972	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	1,258,892	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	253,029	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	Compensation expenses	100,302		-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Other income	87,352		-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent revenue	67,705		
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	1,092,030	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	85,145		
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discount	237,573	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	117,919		
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	293,478	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,792,837	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
1	Hotai Finance Co., Ltd.	Hotai Leasing Co., Ltd.	3	Commissions expense	98,458		-
2	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	420,508	Collection at sight	-
2	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	〃	101,374		
3	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	〃	714,463	Collection at sight	-
4	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	〃	1,507,843	Closes its accounts 16 days after the end of each month	-
4	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	1	Service revenue	176,023		-
5	Hotai Insurance Co., Ltd.	Hotai Leasing Co., Ltd.	3	Insurance premium	204,318		-
6	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	200,498	Closes its accounts 10 days after the end of each month	-
7	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	〃	196,992	Closes its accounts 60 days after the end of each month	-
8	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	115,419		-
8	Hotong Motor Investment Co., Ltd.	Tianjin Hozan Motor Service Co., Ltd.	3	〃	90,367		-
8	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	3	〃	86,341		
8	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	〃	80,525		-
8	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Sale Service.Co.,Ltd.	3	〃	62,631		

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, 2018

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

Table 9

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	$ 7,780,182	$ 7,780,182	-	100.00	$ 16,621,719	$ 1,493,598	$ 1,493,598	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	4,286,842	1,580,785	471,746	investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	1,809,032	1,809,032	58,897,360	100.00	4,566,458	819,332	819,332	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	313,500,000	100.00	4,226,064	406,519	406,519	〃
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	〃	〃	2,098,966	2,098,966	15,000,000	20.00	2,444,355	371,551	71,236	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	2,437,722	835,956	375,886	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	〃	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,428,177	262,959	47,918	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	〃	〃	1,236,592	1,236,592	22,161,150	20.00	1,321,898	175,119	28,821	〃
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	〃	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,201,670	759,650	387,422	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	980,667	239,220	83,272	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	1,018,969	392,299	78,656	〃
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	〃	〃	186,851	186,851	14,806,073	23.67	938,419	337,974	79,998	〃
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	〃	Sales of vehicles and parts for industry use	50,000	50,000	59,670,833	100.00	849,171	121,410	121,410	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	〃	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	33,765,670	100.00	359,618	(1,892)	(1,892)	〃
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	〃	〃	256,000	256,000	2,000,000	20.00	284,740	42,928	7,903	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	272,434	(13,808)	(6,288)	〃
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	132,677	66,204	13,995	〃
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	125,346	78,878	19,719	〃
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	〃	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	12,282	4,367	873	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	107,503	107,503	3,500,000	70.00	114,876	23,596	-	An indirect wholly-owned subsidiary

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	36,858	36,858	1,200,000	40.00	-	16,542	-	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	727,060	779,742	246,368,831	65.77	6,798,916	1,761,515	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	〃	Leasing of light passenger vehicles	181,907	181,907	76,026,689	66.04	2,219,636	389,407	-	〃
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	〃	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	315,529	(812)	-	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	100	239,220	-	〃
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	〃	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	99.80	6,716,248	235,527	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	〃	General investment	298,864	298,864	20,470,156	40.00	315,435	86,901	-	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	230,000	23,000,000	100.00	130,452	(90,786)	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Hotai Innovation Marfeting Co.,	〃	Retail and wholesale of quality goods	10,000	-	1,000,000	100.00	9,832	(168)	-	〃
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,240,886	775,554	40,400,000	50.50	1,583,927	154,695	-	〃
Hotai Leasing Co., Ltd.	Hoyun International Limited	〃	〃	1,216,314	760,196	39,600,000	49.50	1,551,723	154,695	-	〃
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co.,	Taiwan	Leasing of light passenger vehicles	300,000	-	30,000,000	100.00	299,467	(533)	-	〃
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	92,145	92,145	3,000,000	100.00	117,648	(3,227)	-	〃
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	12,652,898	100.00	429,537	105,970	-	〃
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	〃	Advertisement making	2,400	2,400	240,000	30.00	-	(2,201)	-	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	24.50	7,409	(892)	-	〃
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	〃	〃	8,820	-	882,000	24.50	8,820	(892)	-	An indirect wholly-owned subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	〃	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	37,694	4,367	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	〃	Wholesale and retail of vehicles parts and assessories	500	500	138,718	100.00	13,363	(8,090)	-	An indirect wholly-owned subsidiary
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	92,145	92,145	3,000,000	100.00	117,542	(3,166)	-	〃

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Year ended December 31, 2018

(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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Book value of investment in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	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	2,397,152	Note 2	351,687	-	-	351,687	802,956	100.00	802,956	4,399,796	-	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	103,510	〃	103,510	-	-	103,510	88,453	100.00	67,318	261,637	-	〃
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	〃	134,208	〃	11,288	-	-	11,288	-	10.48	-	11,288	-	〃
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	〃	92,145	〃	30,715	-	-	30,715	16,542	40.00	-	-	-	〃
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	〃	184,290	〃	184,290	-	-	184,290	105,589	100.00	105,589	396,720	-	〃
Shanghai Hozhan Motor Service Co., Ltd.	〃	92,145	〃	92,145	-	-	92,145	56,993	100.00	56,993	170,042	-	〃
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	〃	153,575	〃	107,503	-	-	107,503	23,596	70.00	16,517	114,876	-	〃
Shanghai Heling Motor Service Co., Ltd.	〃	107,503	Note 3	80,627	-	-	80,627	275,752	100.00	275,752	514,044	-	〃
ChongQing Yurun Toyota Automobile Service Co., Ltd.	〃	134,208	Note 2	12,094	-	-	12,094	-	10.48	-	12,094	26,106	〃
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	184,290	〃	135,146	49,144	-	184,290	1,172	100.00	1,172	150,222	-	〃
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	419,260	〃	285,650	-	-	285,650	829	100.00	829	214,544	-	〃
Zaozhung Ho-Wan Motor Sales & Service Co., Ltd.	〃	17,894	Note 3	-	-	-	-	(253)	100.00	(253)	17,672	-	〃
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	〃	178,147	Note 2	178,147	-	-	178,147	116,900	100.00	116,900	302,960	-	〃
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	〃	199,648	〃	199,648	-	-	199,648	101,462	100.00	101,462	298,394	-	〃
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,457,200	〃	1,535,750	921,450	-	2,457,200	154,695	65.90	101,944	2,264,264	-	〃
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	223,680	Note 3	-	-	-	-	15,120	65.90	9,964	162,260	-	〃
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	92,145	Note 2	92,145	-	-	92,145	(3,166)	45.01	(1,425)	52,906	-	〃
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	368,580	Note 3	-	-	-	-	67,165	100.00	67,165	339,114	-	〃
Tianjin Hozhan Motor Service Co., Ltd.	〃	306,889	〃	-	-	-	-	50,318	100.00	50,318	256,614	-	〃
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	〃	368,580	〃	-	-	-	-	(12,071)	35.00	(4,225)	61,159	-	〃
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	40,851	Note 1	40,851	-	-	40,851	31,863	51.00	16,250	182,835	-	〃
Guangzhou Gac Changho Autotech Corporation	〃	98,083	〃	44,137	-	-	44,137	88,370	22.95	20,281	84,120	57,204	〃
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	307,150	Note 3	-	-	-	-	43,263	35.00	15,142	80,363	-	〃

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Book value of investment in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	460,725	Note 3	-	-	-	-	46,045	35.00	15,527	143,194	-	Note 2.3
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	〃	368,580	〃	-	-	-	-	66,369	35.00	23,248	124,138	-	〃
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	〃	430,010	〃	-	-	-	-	(25,656)	35.00	(8,638)	72,029	-	〃
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	13,421	〃	-	-	-	-	5,640	60.00	3,384	16,182	-	〃
Shanghai Guangxin Cultural Media Co., Ltd	Design and production of advertisements	4,474	〃	-	-	-	-	1,021	100.00	1,021	7,347	-	〃
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	478,231	〃	-	-	-	-	95,035	100.00	93,413	371,887	-	〃
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories	1,028,928	〃	-	-	-	-	(7,444)	100.00	(7,444)	1,021,625	-	〃
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	8,947	〃	-	-	-	-	(2,960)	100.00	(2,960)	6,042	-	〃
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	26,842	〃	-	-	-	-	680	100.00	680	668	-	〃
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	4,474	〃	-	-	-	-	(1,118)	50.00	(559)	1,688	-	Note 3
Shanghai Howang Financial Leasing CO., Ltd	Leasing, wholesale, retail of and support service for vehicles	-	〃	-	-	-	-	-	75.00	-	-	-	Note 4

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, 2018 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: It was established in the second quarter of 2018. However, capital injection from Chongqing Heling Lexus Motor Sales & Service Co., Ltd. has not been completed.
Note 4: It was established in the third quarter of 2018. However, capital injection from Shanghai Heling Motor Service Co. Ltd.has not been completed.
Note 5: 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, 2018	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.	$ 1,653,231	$ 4,029,303	$ 34,941,575