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Company website: <http://pressroom.hotaimotor.com.tw/zh/>

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

Stock code: 2207

Published on May 31, 2017

HOTAI MOTOR CO., LTD.



Annual Report 2016

(For the convenience of readers and for information purposes only, the annual report have been translated into English from the original Chinese-language version prepared and used in the Republic of China. In the event of any discrepancy between the English and Chinese versions, or if there are any differences in interpretation between the two versions, the original Chinese version shall prevail.)



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I. Letter to Shareholders



I. Letter to Shareholders

2016 Operational Highlights

The global and Taiwanese economies were stagnant in the first half of 2016. As global energy prices held steady and purchasing power picked up, economic activities worldwide rebounded in the second half of 2016. In Taiwan, stronger exports driven by the rising demands for smart devices encouraged investments in the country. The growth rate is currently estimated at 1.50% in 2016, 0.78 percent higher than last year. Under the government's commodity tax rebate policy through the scrappage program, the total sales in the automotive market reached about 440,000 units, an increase of nearly 19,000 units from the previous year- the highest record since 2005.

Under the government's commodity tax rebate policy through the scrappage program, we became the first in the industry to offer an instant purchasing rebate of NT\$50,000 to our customers who would like to participate in the said program. The special offer was aimed to reduce customer's waiting time while the application is pending for government's approval of the rebate and effectively stimulate purchasing. Meanwhile, under the support of TMC, we also launched the all-new TOYOTA SIENTA and redesigned models of TOYOTA ALTIS and LEXUS IS. By the joint effort of the company and our dealers, the total number of registered vehicles last year was 145,000 units, a growth of more than 7,000 units from the previous year, which accounted for 33.0% of market share, putting us at the top among automakers in Taiwan in 15 consecutive years.

In other business operations of Hotai Motor Group, Hotai Finance Co., Ltd. offers installment payment and financial management services. As of the end of 2016, Hotai Leasing Co., Ltd. has 90 iRent kiosks across the country, a 24-hour self-service rental, offering consumers a faster and more convenient rental services to meet all travel needs. Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd. remain as No. 1 ranked companies in several other sectors, including automotive installment, and short-term and long-term rental. In cooperation with Kuozui Motors., Ltd., Carmax Co., Ltd., as a professional car accessory supplier continues to sell products to TMC to be assembled into whole vehicles and exported to six countries in the Middle East. As a result, revenue reached its high record. The Group is currently working towards joining the global automotive production and supply network in hope to recreate growth momentum. Last year, Chinese government implemented a tax cut for small-engine cars. The tax incentive benefited the automotive industry in China and resulted in a total of 28.03 million vehicle sales in 2016, jumping 14% from the previous year. With the support of our regional operating headquarters in China, Hotong Motor Investment Co., Ltd., which integrates all our sales outlets and manages the sales and promotions in China, revenue showed strong growth compared to a year earlier. In 2016, a NT\$318 million revenue from the sales in China was recognized by Hotai, setting an all-time-record.

I. Letter to Shareholders

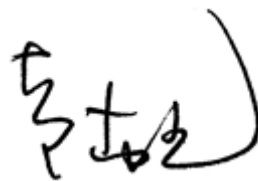
2017 Business Outlook

Looking ahead, as recovery of global economy remains subdued, trade protectionism is on the rise and could curb economic growth in Taiwan. Total vehicle sales are projected to be 430,000 units this year because the scrappage program policy in the automotive industry is expected to weaken. In order to achieve new sales record in passenger car and commercial vehicle segments in 16 and 8 consecutive years respectively, we will continue to introduce new car models and provide products and after-sales services that address the needs of our customers.

While chasing sales growth is an important goal of our business operations, customer satisfaction is also highly valued. This year, we will strive to improve customer and employee experiences with our “樂在 Toyota” campaign. It is our mission to deliver fun experiences to customers in driving our vehicles and to employees in working at our company, thereby achieving greater customer satisfaction. Furthermore, each business segment within the group will continue to explore new business opportunities. In January this year, our affiliate, Hozan Investment Co., Ltd., expanded into the insurance industry by acquiring 99.80% of the equities in Zurich Insurance (Taiwan) Ltd. (which has been renamed as Hotai Insurance Co., Ltd. as of March 1, 2017). Going forward, we will develop auto insurance products that meet the needs of the customers by utilizing our expertise and know-how in the auto industry. As measures to create higher service density and convenience, Hotai Leasing will expand iRent locations, with the goal of increasing the kiosks to 250 locations in 2017, and provide one-way rental service.

This year as we celebrate the 70th anniversary of Hotai, we will aggressively develop and launch new products, enhance sales forces and brand equity, provide higher quality after-sales maintenance service, develop talents for the future operations of the Group, reinforce management system, and create a complete automotive value chain to further solidify our leading position in the automotive industry.

We are sincerely grateful to our shareholders for your continued support and encouragement.



Chairman

I. Letter to Shareholders

Operating Performance in 2016

(1) Operating Performance

Unit: In NT\$ Thousands

Item		2016	2015
Operating Revenues		172,531,900	160,607,628
Income Before Tax		14,547,385	13,220,766
Net Income		12,058,899	10,882,493
Net Income Attributable to:	Owners of the Parent	10,740,039	9,776,591
	Non-controlling Interest	1,318,860	1,105,902
Earnings Per Share Attributable to the Parent		19.66	17.90

(2) Profitability Analysis

Item	2016	2015
Operating Margin Ratio (%)	5.91%	5.68%
Net Profit Ratio (%)	6.99%	6.78%
Return on Assets (%)	7.06%	6.99%
Return on Equity (%)	25.03%	25.06%

(3) Comparison of Annual Number of Registered Vehicles of Hotai and its Main Competitors: (The figures of Hotai's registered vehicles include TOYOTA, LEXUS, and HINO)

Ranking	Company	Brands	2016	Market Share	2015	Market Share
1	Hotai Motor Co., Ltd.	TOYOTA, LEXUS & HINO	145,264	33.0%	138,196	32.8%
2	China Motor Corporation	MITSUBISHI & FUSO	48,286	11.0%	44,210	10.5%
3	Yulon Motors Co, Ltd.	NISSAN & INFINITI	44,747	10.2%	43,456	10.3%
4	Honda Taiwan Co., Ltd.	HONDA	27,361	6.2%	27,639	6.6%
5	Mercedes-Benz Taiwan	MERCEDES BENZ	25,303	5.8%	21,993	5.2%
6	Mazda Motor Taiwan	MAZDA	23,710	5.4%	21,033	5.0%
7	Ford Lio Ho Motor	FORD	19,637	4.5%	21,948	5.2%
8	BMW Taiwan	BMW	19,061	4.3%	19,533	4.6%
9	Luxgen Motor Co., Ltd.	LUXGEN	16,360	3.7%	15,205	3.6%
10	Hyundai Taiwan	HYUNDAI	13,155	3.0%	12,976	3.1%
Total		-	436,629	100%	420,779	100%

I. Letter to Shareholders

Outline of 2017 Business Plan

(1) Business Objectives

1. Hear the voice of market
2. Open the frontier of next 70s
3. Try and innovate upon past practice
4. Advance and improve operational efficiency
5. Impress public with CSR

(2) Projected Sales Target

1. Passenger Car Market

Despite political uncertainty, the economy in the Americas and Europe are growing at a steady pace as job markets in major countries become more stable. In Asia, the broader economy is rather shaken due to political instability. However, at the boost of economic recovery in the U.S. and some European countries, a moderate growth is expected. Global economic activities as a whole are projected to pick up in 2017. In Taiwan, economic fluctuations could be seen earlier in the year due to changes in policy and cross-strait relations. Various indexes such as domestic demand and exports upturned at the end of the first quarter, indicating the recovery of consumer confidence. Looking ahead, the economic situation in neighboring countries and the monetary policies of Americas and Europe will become key factors of the economic growth of our country. The Directorate-General of Budget, Accounting and Statistics of Executive Yuan projected an economic growth rate of 2.05% in 2017. Although the overall performance is expected to improve this year, it also indicates the potential effects that the various factors of overall economic environment could bring. Therefore, we will continue to closely monitor the market condition.

In the automotive industry, major automakers continue to introduce new cars and redesigned car models this year to increase market share. The policy stimulus from the government's scrappage program is expected to moderate into the second year. Therefore, the automotive market in Taiwan is projected to be slightly tilted to the downside compared to the year before, an estimated sales volume of 430,000 units.

We will continue to provide full product line including energy-saving models and luxury vehicles to cater to customer needs and to respond to the challenges in the market. We are confident that we will be able to reach the following sales targets: 125,000 units of TOYOTA, 15,000 units of LEXUS, and 140,000 units in total passenger car sales this year, comprising 32.6% of the market share.

I. Letter to Shareholders

2. Commercial Vehicles Market

Despite the impact of the five day workweek policy causing higher operating costs for the cargo industry, the large goods truck market is forecasted to grow in 2017 primarily due to recovery of the economy, lower oil prices, government's proposed law amendment to provide subsidy and prohibit old diesel trucks to enter restricted areas in order to accelerate replacement of Class 1 and Class 2 diesel trucks. Since the numbers of Chinese tourists have dropped significantly, there is a lower demand of tour buses. The overall bus market is forecasted to decline in comparison with last year. The commercial vehicles market is forecasted to be 9,100 units in 2017, an estimate of 98% compared to the previous year. On the other hand, due to subdued growth in consumer spending and the diminishing effects of the NT\$50,000 purchasing rebate, the sales of 3.49 tons truck is estimated to be 11,000 units, an estimate of 95% in comparison with last year.

Our sales target for 2017 is to ensure that we maintain the leading position in the commercial vehicles market for 8 consecutive years and to strive to achieve the No. 1 position in the overall commercial vehicles market. Our annual sales target of commercial vehicles is 5,900 units, an estimate of 101% by comparison with the unit number of the previous year which accounted for 29.4% of the market share, increasing by 1.7% compared to 2016.

3. Leasing and Installment Market

The continued recovery of global and Taiwanese economies boosted consumer confidence and demands in car purchasing for business or personal use. As the psychology behind car purchasing shifted, there's now a higher percentage of auto programs in the form of rental or installment purchase. Therefore, the overall leasing and installment market is expected to improve in 2017, which enable us to secure our leading position in market share in the car leasing and installment market.

4. General Insurance Market

Total premiums in the general insurance market were NT\$145 billion in 2016, up 7.2% from the previous year. The growth was mainly driven by liability insurance and motor insurance; premium growth of liability insurance was due to rising purchase intention of customers towards insurance products and regulatory requirements, while premium growth of motor insurance was impacted by increasing car sales.

Premiums are forecasted to grow in the general insurance sector this year. Since Hotai Insurance incorporates motor insurance with automotive sales, in addition to the sales generated from our existing commercial lines and personal lines business, we expect our general insurance revenues to grow more rapidly and achieve higher market share and ranking at the synergy of improved service quality and integrated marketing.

I. Letter to Shareholders

Future Development Strategies

- (1) TOYOTA – obtain a leading position in the market and create satisfactory customer service to strengthen Toyota Service Advantage
- (2) LEXUS – provide quality service with our top-notch team to become the best luxury car brand
- (3) Commercial vehicles – promote activities cultivating customer trust and loyalty, build up leading brand image and achieve the No. 1 position in the commercial vehicles market
- (4) Take risk management into account, maximize asset value, and create group synergy
- (5) Create a new blueprint for the group and develop group structure
- (6) Utilize group resources to explore new business opportunities

Impact of External Competition, Regulatory Environment and Overall Operational Environment

The global and Taiwanese economies were stagnant in the first half of 2016. As global energy prices held steady and purchasing power picked up, economic activities worldwide rebounded in the second half of 2016. In Taiwan, stronger exports driven by rising demand of smart devices encouraged investments in the country. The growth rate is currently estimated at 1.50% in 2016, 0.78 percent higher than the year before. Under the policy stimulus of the government's commodity tax rebate through the scrappage program, demand surged and boosted sales in the automotive market. The total sales in the automotive market was 439,629 units, hitting a historic high in 11 years.

We became the first in the industry to offer an instant purchasing rebate of NT\$50,000 to our customers who would like to participate in the government's scrappage program. The special offer was aimed to reduce customer's waiting time while the application is pending government approval and effectively stimulate purchasing. Meanwhile, under the support of TMC, we also launched the all-new TOYOTA SIENTA and redesigned models of TOYOTA ALTIS and LEXUS IS. By the joint effort of the company and our dealers, the total number of registered vehicles last year was 145,000 units, a growth of more than 7,000 units from last year, which accounted for 33.0% of market share, putting us at the top among automakers in Taiwan in 15 consecutive years.

Looking ahead, as recovery of global economy remains subdued, trade perfectionism is on the rise and could curb economic growth in Taiwan. Total vehicle sales are projected to be 430,000 units this year because the scrappage program policy in the automotive industry is expected to weaken. we will continue to introduce new car models and provide products and after-sales services that address the needs of our customers. We consider customer satisfaction our top priority and will strive to improve customer and employee experiences with our “樂在 Toyota” campaign. As we celebrate the 70th anniversary of Hotai this year, we will aggressively develop and launch new products, enhance sales forces and brand equity, provide higher quality after-sales maintenance service, develop talents for the future operations of the Group, reinforce management system, and create a complete automotive value chain to further solidify our leading position in the automotive industry.

II. Company Profile



II. Corporate Overview

1. Incorporation

Date of Incorporation: September 1, 1947.

2. Company Timeline

1947	September	Hotai Automobile Co. is founded by Mr. Huang, Lieh-Huo, along with a few others, having NT\$810 thousand registered capital and 10 employees.
1949		Hotai becomes a distributor for TOYOTA vehicle and Yokohama Tire.
1952		Hotai becomes a distributor for Hino Motor Co., Ltd.
1955	April	Restructures as Hotai Trading Co., Ltd., having 30 employees.
1968	January	Restructures as Hotai Motor Co., Ltd.
1970	Early 1970	Hotai becomes a distributor for Ford Lio Ho Motor Company.
1971	July	Hotai begins implementing Management by Objectives
1973	February	Hotai discontinues as a distributor for Ford Lio Ho Motor Company.
1979	May	Hotai becomes a distributor for Morita Corporation selling fire engine, fire apparatus and equipment.
1982	January	Hotai becomes a dealer for Sanfu Motor Co., Ltd.
1984	July	Hotai becomes a dealer for Kuozui Motors Ltd. selling all vehicles manufactured by Kuozui Motors Ltd.
1985	April	Hotai discontinues as a dealer for Sanfu Motor Co. Ltd.
1986	November	Due to the demolition of the office building of its original headquarters at No. 127, Songjiang Road, the company relocates to the 11 th to 14 th floor of the office building at No. 121, Songjiang Road.
1988	May	Hotai signs contract with the top 8 convertible dealers in Taiwan.
	September	Hotai begins selling domestic TOYOTA ZACE, a multi-purpose vehicle, in Taiwan
	December	Hotai signs sales contracts with TMC and Toyota Motor Sales, USA
1989	May	Domestically made TOYOTA CORONA launched in Taiwan.
1990	October	Hotai becomes a public company approved by the Ministry of Finance.
1995	November	Domestically made TOYOTA TERCEL launched in Taiwan
1996	September	Hotai becomes a listed company on the Taiwan Stock Exchange
1997	February	Hotai begins trading its shares on the Taiwan Stock Exchange
	April	As part of the conditions to join the World Trade Organization (WTO), the government signs contract with the Japanese government to permit limited imports of small vehicles from Japan. Hotai introduces Japanese imported small vehicles, TOYOTA RAV4 and TOYOTA CELICA, which are officially launched in Taiwan.
	September	Domestically made TOYOTA HIACE Solemio 2.4L and Japanese imported luxury car series, Lexus LS and GS, launched in Taiwan.
		Hotai celebrates its 50 th anniversary.
1998	October	TOYOTA 7-Series forklift debuts.
1999	February	The new LEXUS IS launched.
	September	The new LEXUS RX launched.
2000	March	Yangmei Logistic Center begins operations.
2001	March	Domestically made COROLLA ALTIS launched.
	October	Japanese imported multi-purpose vehicle, TOYOTA PREVIA, launched.
		The new Lexus ES debuts.

II. Corporate Overview

2002	March	Hotai completes production of domestic Toyota CAMRY, launched in April.
	July	Hotai Yangmei Logistic Center receives ISO 14001 certification.
	November	Rated one of the outstanding manufacturers under the Assist Industries Establishing Self-Regulation Project by the Taiwan Fair Trade Commission
2003	January	Chang Yuan Motor Co., Ltd./Toyota Material Handling Taiwan Ltd. established.
	March	Domestically made TOYOTA VIOS debuts.
	October	Receives the 14 th National Quality Award.
	November	Kuozui Motors Ltd. reports production of its one millionth vehicle.
2004	February	Top 8 TOYOTA dealers receive ISO 14001 joint certification.
	April	Shanghai Heling Lexus Motor Sales & Service Co., Ltd. groundbreaking ceremony.
		Tianjin Ho-Yu Motor Sales and Service Co., Ltd. groundbreaking ceremony.
	June	Introduces HINO 700 Series.
	September	Introduces domestically made TOYOTA WISH.
	December	Opening ceremony for Songjiang sales office of Hozhi Motor Co., Ltd, as a LEXUS CPO dealer.
2005	February	Hotai listed by the Taiwan Stock Exchange among the Taiwan Mid-Cap 100 Index stocks.
	October	Sponsors the 2005 TOYOTA Love Life Walk event.
		Receives the 4 th CommonWealth Magazine Service Excellence Award.
	November	The Parts Business Division passes the Quality Logistics Operating System Assessment by the Department of Commerce of the Ministry of Economics.
2006	March	The new TOYOTA PRIUS hybrid debuts.
	August	LEXUS, in collaboration with ABN AMRO Bank, introduces the first Lexus credit card in Asia.
	September	The new TOYOTA X888 forklift launched.
	November	The new domestically made Toyota YARIS debuts.
2007	January	Ranks highest in the J.D. Power Asia Pacific 2006 IQS and APEAL Study.
	February	Chongqing Heling Lexus Motor Sales & Service Co., Ltd. begins operations.
	August	Celebrates 60 th anniversary.
	October	Ranks No.1 in the auto sales industry in Taiwan and named the Most Admired Company in the service industry according to the 2007 Corporate Reputation Survey conducted by CommonWealth Magazine.
	December	The new LEXUS LX debuts.
2008	April	Increases its shareholding in Kuozui Motors Ltd. from 14.22% to 30%.
		Receives the 4 th CSR Award by Global Views Monthly.
	October	Honored with the National Human Resources Development Innovation Award.
	December	Hotai receives the 6 th Annual Service Excellence Award by Global Vision Monthly.
2009	March	Introduces the new Hino 300 Series 3.49 tons diesel trucks.
	August	Hotai Group makes donation to Typhoon Morakot Relief.
2010	March	Founder Huang, Lieh-Huo passed away.
	June	Hotai's management team changes, naming Huang, Nan-Kuang as the Chairman, Hirako Hirokazu as the Vice Chairman, Su, Chwen-Shing as the President of Hotai Motor Co., Ltd. and Su, Yann-Huei as the Group Chairman.
2011	January	CarMax enters China's auto accessory market.

II. Corporate Overview

	February	The new LEXUS CT debuts.
	March	Hotai and its top 8 dealers, affiliates and foundation jointly donate NT\$30 million aiding the Tohoku Earthquake & Tsunami Relief.
	April	CarMax Autotech (Shanghai) Co., Ltd. grand opening.
	September	TOYOTA sales in Taiwan reaches two million vehicles.
	November	TOYOTA INNOVA compact MPV debuts. Hotai donates the first Hotai mobile blood bus.
	December	Horung Motors Co., Ltd. incorporated.
2012	February	Debuts the first domestically made TOYOTA CAMRY Hybrid.
	March	Introduces TOYOTA PRIUS c, the only import hybrid under NT\$1 million in Taiwan.
	May	Production of Kuozui Motors Ltd. reaches two million vehicles.
	June	TOYOTA 86 sports car launched.
	August	Hotai donates a second mobile blood bus and hosts the first Hotai Blood Donor Month.
	September	Hotai donates 8,000 sets of school zone crossing guard equipment to public elementary schools in New Taipei City.
	October	The New HINO 300 Series debuts.
	November	J-TACS invests in the equities of CarMax Co. Ltd.
2013	March	TOYOTA introduces its all-in-one navigation app, City Driver, the first mobile app for drivers in Taiwan auto industry.
	June	Hotai recognized by the Environmental Protection Administration as one of the companies with prominent effects as a result of implementing voluntary CO2 emission reduction in the Taiwan auto industry
		Hotai Group incorporates Hojung Motors Co., Ltd., consolidating the CPO market in the Taichung, Changhua and Nantou area.
	August	Hotai donates a 3 rd mobile blood bus and sponsors Hotai's National Blood Donor Month.
	September	Hotai donates 15,000 sets of school zone crossing guard equipment to public elementary schools in Taichung City, Tainan City and Kaohsiung City.
	October	LEXUS launches the Lexus+ app exclusively for Lexus owners.
	November	Hotai receives the Annual ROC Enterprise Environment Protection Award from the Environmental Protection Administration for two years in a row. TOYOTA LAND CRUISER PRADO debuts.
2014	January	Hotai participates in the guide dog training program, donating 5 training vehicles and NT\$1 million trainer education funds to the Taiwan Guide Dog Association.
	March	Hotai ranks premium in Business Next Magazine's Top Green Brand Survey and highest in the auto industry.
	April	Kuozui Motors Ltd. celebrates its 30 th anniversary.
	June	Hotai Leasing Co., Ltd. introduces iRent, its 24-hour car rental self- service.
	July	Kuozui Motors Ltd. production of Hino heavy-duty trucks reaches 100 thousand vehicles.
	August	Hotai and Kuozui Group make NT\$10 million donation to the Kaohsiung Gas Explosion Relief. Hotai donates a 4 th and 5 th mobile blood bus and sponsors Hotai's National

II. Corporate Overview

		Blood Donor Month.
		The new Lexus NX debuts.
	September	Hotai donates 8,968 sets of school zone crossing guard equipment to public elementary schools in Keelung City Hsinchu City and County, Yilan County, Miaoli County, Pingtung and Hualien County.
		Hotai provides AED at all TOYOTA, LEXUS and HINO locations around the island.
		The new HINO 300 Series hybrid launched.
	October	Hotai named the Most Admired Company in the auto sales industry in Taiwan by CommonWealth Magazine in 8 consecutive years.
		10 th anniversary of Toyota Walk "TOYOTA Family Day".
	November	All new LEXUS RC/RC F debuts.
	December	@bc Car, a classified site for CPO cars, launches.
		Annual production of Kuozui Motors Ltd. reaches 200 thousand vehicles.
2015	March	Hotai donates one ambulance bus to Children Are Us Foundation and purchases Children Are Us baked goods at all locations around Taiwan.
	April	10 th anniversary of the Hotai Road Safety & Awareness Tour.
		LEXUS awarded the CommonWealth Magazine Gold Service Medal in the customer service category in 3 consecutive years.
	July	Hotai sponsors the fundraising event held by Child Welfare League Organization for Nutrition Aid Project for Children in the Disadvantaged Groups in 3 consecutive years.
		TOYOTA RAV4's monthly sales hits record high (2,752 vehicles).
	August	Hotai donates a 6 th mobile blood bus and 50 thousand new blood bags and sponsors Hotai's National Blood Donor Month.
	September	LEXUS ranks highest in the J.D. Power Taiwan New Vehicle Sales Satisfaction Index Study for the 15 th time.
	October	Hotai donates 9,194 sets of school zone crossing guard equipment to public elementary schools in Nantou County, Changhua County, Taitung County, Chiayi City and County, Kinmen County, Yunlin County and Penghu County, therefore completes the first round donation to all public elementary schools in Taiwan.
		Receives first place in the Next Magazine Top Service Award for the 8 th time.
	November	Introduces the first Hino low-floor bus.
		LEXUS receives first place in the auto category in the Business Today Best Brand Awards.
	December	All new TOYOTA PRIUS α debuts.
2016	January	TOYOTA short films "Family Trip" and "Mom's Chariot" voted the most successful films on YouTube in the 1 st and 4 th place.
	February	Hotai and Kuozui Group make NT\$10 million donation to the Southern Taiwan Earthquake Relief.
	May	TOYOTA global hybrids sales surpass nine million vehicles.
	June	LEXUS named the exclusive auto-brand sponsor for the 27 th Annual Golden Melody Awards.
	July	Hotai honored with the gold award by Commercial Times in the 2016 Best Service in Taiwan in 3 consecutive years.
		Hotai officially introduces TOYOTA SIENNA.
		Hotai raises NT\$20 million in the "Let Love Begin" charity event, which is

II. Corporate Overview

		donated to five social welfare groups, including the Child Welfare League, Children Are Us Foundation, Eden Social Welfare Foundation, Sunshine Social Welfare Foundation, and Taiwan Blood Services Foundation. Hotai donates a 7th mobile blood bus and sponsors Hotai's National Blood Donor Month.
	September	Hotai donates 8,000 sets of school zone crossing guard equipment to public elementary schools in Taipei City and New Taipei City; a cumulative of over 52,000 sets have been donated to schools in Taiwan.
	October	LEXUS named the exclusive auto-brand sponsor for the 51st Annual Golden Bell Awards. LEXUS ranks highest in the J.D. Power Taiwan Customer Service Index Study for the 17th time.
	November	Hotai honored with the service industry gold award and social inclusion award in the 2016 Taiwan Corporate Sustainability Awards. All new Toyota SIENTA debuts. LEXUS named the exclusive auto-brand sponsor for the 53rd Golden Horse Awards.
	December	LEXUS and Hotai Leasing Co., Ltd. receive first place in the auto category and car rental category in the Business Today Best Brand Awards. City Driver app downloads hit two million. TOYOTA remains the top auto brand in Taiwan in 15 consecutive years. COROLLA ALTIS continues to be the best-selling car model in 16 consecutive years and RAV4 the best-selling import car model in 8 consecutive years. Hino continues to be the leading auto brand in the full-size commercial vehicles market in 7 consecutive years.
2017	February	TOYOTA global hybrids sales surpass 10 million vehicles.
	March	All new TOYOTA C-HR debuts.
		HOTAI INSURANCE CO., LTD. incorporated.
		Hotai's largest sales location in Northern Taiwan, Taoyuan Store, opens for business.
	April	TOYOTA launches its charity campaign: One Car for One Tree.
		All new TOYOTA PRIUS PHV debuts.
		TOYOTA ranked No.1 in the vehicles category in the Top 100 Most Influential Brands Survey in Taiwan by Business Weekly Magazine in 3 consecutive years.

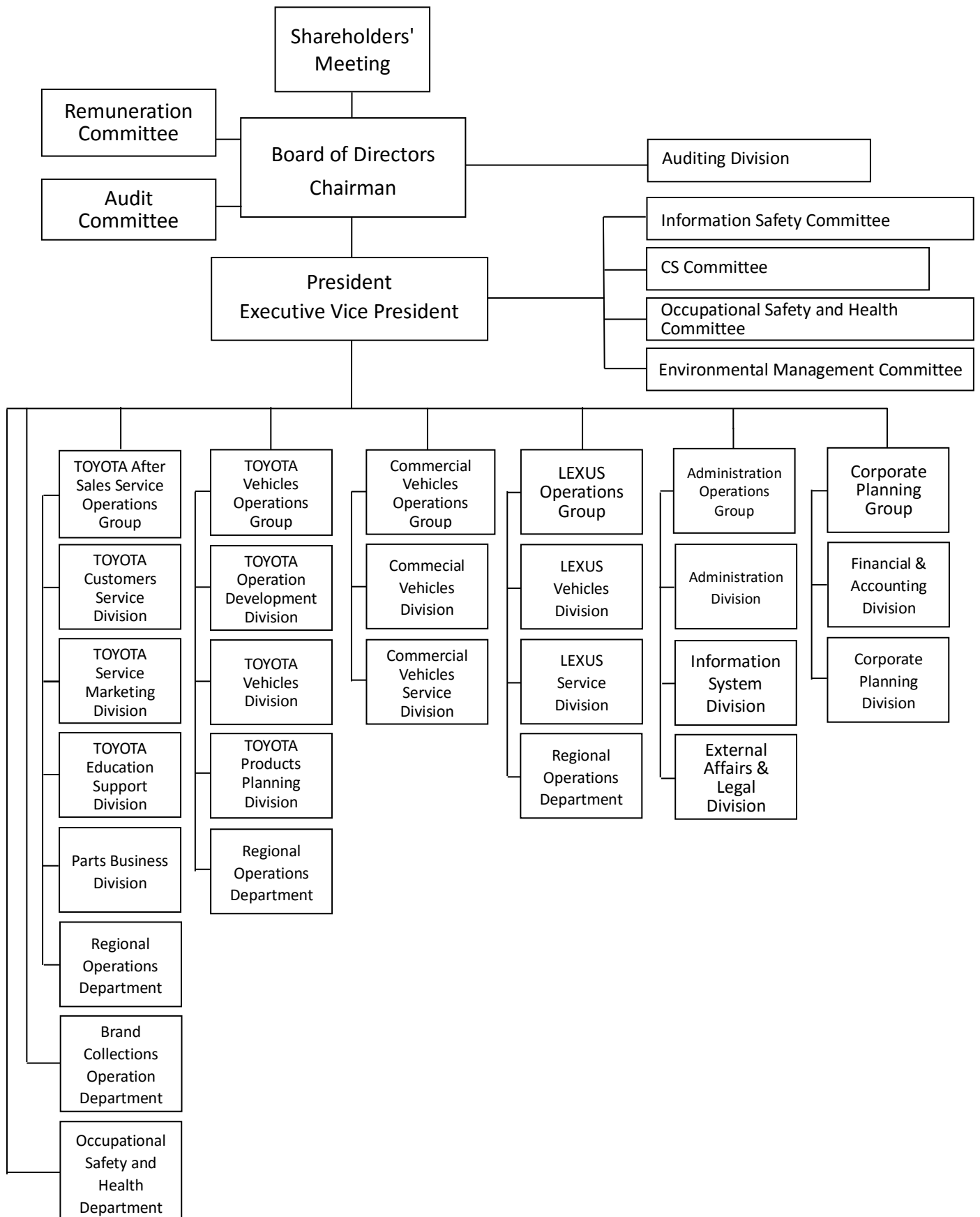
III. Corporate Governance Report



III. Corporate Governance

1. Organization Structure

(1) Organization Chart (As of April 30, 2017)



III. Corporate Governance

(2) Primary Business Functions

Auditing Division	• Establish, implement and review internal control and audit systems. • Manage the audit operation, finance, engineering and purchasing of the Company.
Information Safety Committee	• Establish, promote and implement information safety policy. • Review and discuss information safety issues and solutions, resources allocation and implementation results.
CS Committee	• Plan, implement and review customer service system. • Manage and maintain customer relationships.
Occupational Safety and Health Committee	• Provide suggestions on draft safety and health policy. • Review, discuss, coordinate and provide suggestions on relevant matters.
Environmental Management Committee	• Conduct environmental management operations, regularly hold environmental management meetings, implement environmental management guidelines of TMC/TMAP and promote environmental protection practices of Hotai and its dealers.
Brand Collections Operation Department	• Coordinate the requirements and management for brand collections of each brand under Hotai group.
Occupational Safety and Health Department	• Draft, plan, oversee and promote matters relating to occupational safety and health, and direct the implementation by relevant departments.
Corporate Planning Group	• Manage financial and accounting affairs, provide tax planning, and handle customs declarations. • Manage reorganization and project improvement planning, execution and follow-up. • Draft mid and long-term business plans. • Analyze operational performances. • Adopt annual business objectives and conduct feasibility analysis. • Manage investments in Hotai's affiliates.
Administration Operations Group	• Plan, implement and review matters relating to allocation and management of human resources, personnel training and career development, and general administration. • Manage public relations and media affairs, investor relations, and legal affairs. • Analyze, develop, maintain and make suggestions on the computerized system of Hotai and dealers; analyze, compare and purchase computer hardware.
TOYOTA Vehicles Operations Group	• Manage the order, delivery, demand and supply analysis, marketing and execution of TOYOTA vehicles business. • Establish, manage and direct the dealers. • Prepare new media marketing proposals. • Conduct market research, product planning, and obtain product certification. • Prepare a comprehensive plan for brand development, pre-sales customer relations, and CPO related business.

III. Corporate Governance

TOYOTA After Sales Service Operations Group	• Plan and execute TOYOTA's service system and service activities. • Provide solutions on technical problems and guarantee replacement. • Conduct technical training of TOYOTA and HINO vehicles. • Manage the planning and operations of post-sales marketing. • Conduct the purchase, sales, and inventory management of auto parts, and other matters related to auto parts management. • Manage TOYOTA and HINO Customer Service Center.
LEXUS Operations Group	• Manage the order, delivery, demand and supply analysis, marketing and execution of LEXUS vehicles business. • Conduct market research and product planning. • Plan and execute LEXUS service system and service activities. • Provide the solutions on technical problems and guarantee replacement. • Purchase LEXUS parts. • Manage LEXUS Customer Service Center.
Commercial Vehicles Operations Group	• Manage the order, delivery, demand and supply analysis, marketing and execution of TOYOTA commercial vehicles and HINO vehicles business. • Establish, manage and direct the dealers. • Conduct market research and product planning. • Plan and execute service system and service activities for TOYOTA commercial vehicles and HINO vehicles. • Provide the solution on technical problems and guarantee replacement. • Purchase parts for TOYOTA commercial vehicles and HINO vehicles.

2. Directors, Supervisors, President, Vice Presidents, Chief Officer and Department and Divisional Executive Officers

(1) Directors and Supervisors

April 30, 2017

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Chairman	Taiwan	Chun Yung Investment Co, Ltd., represented by Huang, Nan-Kuang	Male	June 21, 2016	3 years	May 22, 1992	167,000	0.03%	167,000	0.03%	0	0.0%	0	0.0%	Department of Chemistry, Fu Jen University	Chairman, Hozan Investment Co., Ltd. Chairman, Kuotu Motor Co., Ltd. Chairman, Hotong Motor Investment Co., Ltd. Vice Chairman, Yokohama Tire Taiwan Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Taipei Toyota Motor Co., Ltd. Director, Nan Du Motor Co., Ltd. Director, Kau Du Automobile Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Denso Taiwan Corp. Supervisor, Carmax Co., Ltd.	Director	Lin, Li-Hua	Sister-in-law
	Taiwan						0	0.0%	0	0.0%	0	0.0%	0	0.0%					
Director	Japan	Toyota Motor Corporation, represented by KATSUHIITO OHNO	Male	June 21, 2016	3 years	April 8, 2016	44,406,112	8.13%	44,406,112	8.13%	0	0.0%	0	0.0%	School of Foreign Languages, Tokyo University of Foreign Studies	Director, Carmax Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Supervisor, Hotai Finance Co., Ltd. Supervisor, Hotai Leasing Co., Ltd.	N/A	N/A	N/A
	Japan						0	0.0%	0	0.0%	0	0.0%	0	0.0%					
Director	Taiwan	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yi-Chung	Male	June 21, 2016	3 years	May 10, 1981	36,071,520	6.60%	36,071,520	6.60%	0	0.0%	0	0.0%	MBA, St. Mary's University	Chairman, Ho Tai Development Co., Ltd. Chairman, Ho-An Insurance Agency Co., Ltd. Chairman, Ho-Chuang Insurance Agency Co., Ltd. Vice Chairman, Kuozui Motors Co., Ltd. Vice Chairman, Hoyu Investment Co., Ltd. Director, Hozao Enterprise Co., Ltd.	N/A	N/A	N/A
	Taiwan						0	0.0%	0	0.0%	0	0.0%	0	0.0%					
Director	Taiwan	Chun Yung Investment Co., Ltd., represented by Lin, Li-Hua	Female	June 21, 2016	3 years	July 17, 2001	167,000	0.03%	167,000	0.03%	0	0.0%	0	0.0%	Department of Money and Banking, National Chengchi University	Chairman, Hoyu Investment Co., Ltd.	Chairman	Huang, Nan-Kuang	Brother-in-law
	Taiwan						83,740	0.02%	83,740	0.02%	0	0.0%	0	0.0%					

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Director	Taiwan	Chun Yung Investment Co., Ltd., represented by Huang, Chih-Cheng	Male	June 21, 2016	3 years	April 28, 2000	167,000	0.03%	167,000	0.03%	0	0.0%	0	0.0%	School of Management, University of California Former Chairman, Shi-Ho Screw Industrial Co., Ltd. Former Managing Director, Formosa Flexible Packaging Corp.	Chairman, Toyota Material Handling Taiwan Ltd. Chairman, Formosa Flexible Packaging Corp. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Carmax Autotech (Shanghai) Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Yangpu Heling Motor Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Hoyu Motor Sales & Service Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Hoyu Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Nitto Precision Screw Industrial (Zhejiang) Co., Ltd. Supervisor, Kuotu Motor Co., Ltd.	N/A	N/A	N/A
	Taiwan						121,165	0.02%	121,165	0.02%	0	0.0%	0	0.0%					

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Director	Taiwan	Jin Yuan Shan Investment Co., Ltd., represented by Su, Chwen-Shing	Male	June 21, 2016	3 years	June 13, 1995	36,071,520	6.60%	36,071,520	6.60%	0	0.0%	0	0.0%	MBA, Massachusetts Institute of Technology	President, Hotai Motor Co., Ltd. Chairman, Carmax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Vice Chairman, Hotong Motor Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Hozan Investment Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Yangpu Heling Motor Sales & Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Supervisor, Kuotu Motor Co., Ltd. Supervisor, Denso Taiwan Corp.	Director	Su, Yann-Huei	Father
	Taiwan						0	0%	0	0%	100,000	0.02%	0	0.0%					

III. Corporate Governance

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Director	Taiwan	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yann-Huei	Male	June 21, 2016	3 years	August 15, 1966	36,071,520	6.60%	36,071,520	6.60%	0	0.0%	0	0.0%	The Affiliated Industrial Vocational High School of National Changhua University of Education Former Chairman, Kuozui Motors Co., Ltd. Former Chairman, Chang Yuan Motor Co., Ltd. Former Chairman, Hotai Finance Corporation Former Chairman, Hotai Leasing Corporation	Senior Advisor, Hotai Motor Co., Ltd.	Director	Su, Chwen Shing	Son
	Taiwan						0	0.0%	0	0.0%	0	0.0%	0	0.0%					
Director	Taiwan	Jin Yuan Shan Investment Co., Ltd., represented by Su, Maick	Male	June 21, 2016	3 years	June 28, 2013	36,071,520	6.60%	36,071,520	6.60%	0	0.0%	0	0.0%	California State University, Long Beach	Chairman, Empire Energy Co., Ltd. Chairman, Taroko Bus Traffic Co., Ltd. Director, Formosa Flexible Packaging America, Inc Director, Ho-Chuang Insurance Agency Co., Ltd. Supervisor, Ho Tai Development Co., Ltd. Supervisor, Shanghai Yangpu Heling Motor Sales & Service Co., Ltd. Supervisor, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Jun Jan International Ltd.	N/A	N/A	N/A
	Taiwan						0	0.0%	0	0.0%	0	0.0%	0	0.0%					
Director	Taiwan	Gui Long Investment Co., Ltd., represented by Chang, Shih-Yieng	Male	June 21, 2016	3 years	June 18, 2004	4,571,000	0.84%	4,571,000	0.84%	0	0.0%	0	0.0%	School of Economics, Konan University	Managing Director, Hoyu Investment Co., Ltd. Director, Ho-An Insurance Agency Co., Ltd. Director, Ho-Chuang Insurance Agency Co., Ltd.	N/A	N/A	N/A
	Taiwan						555,930	0.10%	555,930	0.10%	515,000	0.09%	0	0.0%					

III. Corporate Governance

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship
Director	Taiwan	Chun Yung Investment Co., Ltd., represented by Huang, Wen-Jui	Male	June 21, 2016	3 years	June 22, 2010	167,000	0.03%	167,000	0.03%	0	0.0%	0	0.0%	Department of Electrical Engineering, National Central University Master's in Business Intelligence, Tokyo University of Information Sciences	Director, Shanghai Ho-Yu (BVI) Investment Co., Ltd. Director, Tien jin Ho Yu Investment Co., Ltd. Director, Hoyun International Limited Director, Formosa Flexible Packaging Corp. Director, Chung Kuo Insurance Co., Ltd. Supervisor, Chang Yuan Motor Co., Ltd.	N/A	N/A	N/A
							972,625	0.18%	966,315	0.18%	38,310	0.006%	0	0.0%					
Director	Taiwan	Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	Male	June 21, 2016	3 years	May 23, 2011	10,055,376	1.84%	10,779,110	1.97%	0	0.0%	0	0.0%	The Affiliated Industrial Vocational High School of National Changhua University of Education	Chairman, Chang Yuan Motor Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Lang Yang Toyota Motor Co., Ltd.	N/A	N/A	N/A
	Taiwan						3,404,353	0.62%	3,404,353	0.62%	0	0.0%	0	0.0%					
Independent Director	Taiwan	Chen, Chi-Jhen	Male	June 21, 2016	3 years	June 21, 2016	286	0.00005%	286	0.00005%	0	0.0%	0	0.0%	Masters in Management Science, National Chiao Tung University	Member of the Remuneration Committee, Hotai Motor Co., Ltd. Independent Director, Hotai Insurance Co., Ltd.	N/A	N/A	N/A
Independent Director	Taiwan	Su, Chin-Huo	Male	June 21, 2016	3 years	June 21, 2016	0	0%	0	0%	0	0.0%	0	0.0%	Masters in Industrial Systems Engineering and Management, Asian Institute of Technology	Member of the Remuneration Committee, Hotai Motor Co., Ltd. Independent Director, Hotai Insurance Co., Ltd.	N/A	N/A	N/A
Independent Director	Taiwan	Wu, Shih-Hao	Male	June 21, 2016	3 years	June 21, 2016	0	0%	0	0%	0	0.0%	0	0.0%	PhD in Business Administration, National Taipei University	Member of the Remuneration Committee, Hotai Motor Co., Ltd. Independent Director, Taiwan Tobacco and Liquor Corporation	N/A	N/A	N/A

III. Corporate Governance

III. Corporate Governance

(2) Professional qualifications and independence analysis of directors

As of April 30, 2017

Name	Condition	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence (Note 1)										Serving as an Independent Director on Other Public Boards
		A lecturer (or higher position) at a public or private college or university in the department of business, law, finance, accounting or other academic departments relevant and required by the company's operations	A judge, prosecutor, lawyer, accountant, or other professional or technical specialist as required by the company's operations who has obtained a certificate through passing a national examination	Work experience in business, law, finance, accounting or otherwise as required by the company's operations	1	2	3	4	5	6	7	8	9	10	
Huang, Nan-Kuang			✓	✓	✓		✓				✓		✓		0
KATSUHITO OHNO			✓				✓	✓	✓		✓	✓	✓		0
Su, Yi-Chung			✓	✓			✓	✓			✓	✓	✓		0
Lin, Li-Hua			✓	✓	✓					✓	✓		✓		0
Huang, Chih-Cheng			✓	✓			✓	✓			✓	✓	✓		0
Su, Chwen-Shing			✓				✓				✓		✓		0
Su, Yann-Hui			✓		✓	✓				✓	✓		✓		0
Su, Maick			✓	✓			✓	✓		✓	✓	✓	✓		0
Chang, Shih-Yieng			✓	✓	✓	✓	✓			✓	✓	✓	✓		0
Huang, Wen-Jui			✓				✓	✓	✓		✓	✓	✓		0
Ko, Junn-Yuan			✓	✓			✓	✓			✓	✓	✓		0
Chen, Chi-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Shih-Hao	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Su, Chin-Huo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: Please tick the corresponding boxes that apply to Board of directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company's parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the five degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

III. Corporate Governance

- (3) Directors are representatives of institutional shareholders. The top ten major shareholders in such institutional shareholders (including % of stocks held) are as follows:

As of April 30, 2017

Company Name of Corporate Shareholder	Major Shareholders
Chun Yung Investment Co., Ltd.	Tuo De Investment Co., Ltd. (18.87%), Zhong Yi Investment Co., Ltd. (14.07%), IRT Corporation (12.4%), Hong Yuan Investment Co., Ltd. (10.02%), Chang Hong Bai Sheng Investment Co., Ltd. (9.7%), Hui Min Investment Co., Ltd. (5.89%), Sheng Gao Enterprise Co., Ltd. (5.83%), Yi Hong Investment Co., Ltd. (5.83%), Hotai Capital Ltd. (5.82%), and Shang Yao Investment Co., Ltd. (5.48%).
Toyota Motor Corporation	Japan Trustee Service Bank, Ltd. (10.60%), Toyota Industries Corporation (6.63%), The Master Trust Bank of Japan, Ltd. (4.40%), Nippon Life Insurance Company (3.56%), State Street Bank and Trust Company (3.40%), DENSO CORPORATION (2.56%), JP Morgan Chase Bank, N.A. (2.17%), The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders (1.98%), Trust & Custody Services Bank, Ltd. (1.89%), and Mitsui Sumitomo Insurance Company, Limited (1.83%)
Jin Yuan Shan Investment Co., Ltd.	Jin Ji Investment Enterprise Co. (38.89%), Ltd., Li Gang Enterprise Co., Ltd. (19.44%), Jin Yu Shan Development Co., Ltd. (16.67%), Su, Hsing-Chien (9.72%), K.F.S. Co., Ltd. (9.72%), Top Expert Industrial Limited (2.78%), and Cheng Sun Trading Co., Ltd. (2.78%)
Gui Long Investment Co., Ltd.	Harvest Investment, Ltd. (83.9%), Chen, Li-Chun (11.7%), and Yu, Shao-Hsien (4.4%)
Yuan Tuo Investment Co., Ltd.	Ko, Wang-Yueh (15%), Ko, Wang-Sen (15%), Ko, Ying-Cheng (7%), Ko, Ying-Ho (7%), Ko, Ying-Hsin (6%), Kang Yu Investment Co., Ltd. (5%), Ko, Wen-Sheng (4%), Ko, Wang-Chung (4%), and Ko, Wang-Cheng (4%)

- (4) Below is a list of the top 10 shareholders (including % of stocks held) in the principal shareholders in PCSC institutional shareholders listed above who are themselves institutional shareholders

As of April 30, 2017

Company Name	Major Shareholders
Tuo De Investment Co, Ltd.	Ting, Chiao-Tung (8%), Tsai, Yueh-Chuan (8%), Tsai, Yueh-Lin (8%), Chen, Ping-Hua (64%), Chen, Yu-Ting (8%), and Mai, Hsiu-Lin (4%)
Zhong Yi Investment Co., Ltd.	Huang, Wen-Jui (50%) and Huang, Tao-Tien (50%)
IRT Corporation	Eagle Sharp Global Limited (50%), Chang, Pei-Yao (20%), Chang, Feng-Wen (15%), and Huang, Chih-Lin (15%)
Hong Yuan Investment Co., Ltd.	Wang, Yueh (40%), Chang, Nai-Liang (24%), Tsai, Sung-Po (20%), and Tsai Min, Chia-Chin (16%)

III. Corporate Governance

Company Name	Major Shareholders
Chang Hong Bai Sheng Investment Co., Ltd.	Huang Hsu, Cheng-Pao (99.8%) and Chang, Wen-Yu (0.2%)
Hui Min Investment Co., Ltd.	Huang, Shu-Hui (95%) and Tsai, Sung-Po (5%)
Sheng Gao Enterprise Co., Ltd.	Good Sense Limited (94.54%), Huang Shih, Hsuan-Chi (5.41%), and Huang, Chih-Cheng (0.05%)
Yi Hong Investment Co., Ltd.	Cheng Hsuan Social Welfare Foundation (60%), G&R Brothers' Investment Co., Ltd. (33.33%), and Huang, Si-Chia (6.67%)
Hotai Capital Ltd.	Huang, Si-Yuan (45%), Huang, Si-Bo (45%), Chen, Wen-Kui (5%), and Chang, Chih-Hao (5%)
Shang Yao Investment Co., Ltd.	Li, Ching-Fen (25.98%), Li, Ching-Chao (21.20%), Sheng Jie Investment Co., Ltd. (19.57%), Ming Light Co., Ltd (14.57%), Huang, Chuan-Chuan(13.90%), Wang, Chuan-Bo (2.39%), and Wang, Chuan-Fu (2.39%)
Jin Ji Investment Enterprise Co., Ltd.	Li, Yung-Jan(99.998%), Su, Yi-Chung (0.001%), and Tsao, Yu-Jung (0.001%)
Li Gang Enterprise Co., Ltd.	Lin, Chih-Han (34%), Su, Yin (19%), Su, Se-I (19%), Li, Chun-Jen (13%), Su, Jean (6%), Su, Chwen-Shing (5%), Su, Yann-Hui (2%), and Su Wang, Chin-Yun (2%)
Jin Yu Shan Development Co., Ltd.	Su, Shih-Pang (48.8%), Su, Shih-An (24.4%), Lo, Hsiu-Chin(24.4%), and Top Expert Industrial Limited (2.4%)
K.F.S. Co., Ltd.	Su, Hung-Ming (37%), Maick Su (18%), Jonny Su (18%), Ana Su (18%), and Lo, Hui-Ling (9%)
Top Expert Industrial Limited	Jin Yu Shan Development Co., Ltd. (33.33%), Weng, Ming-Ling (16.67%), Su, I-Yuan (15.15%), Su, I-Yun (13.47%), Su, Yi-Jen (13.47%), Su, Shih-Pang (3.19%), Su, Shih-An (2.36%), and Lo, Hsiu-Chin (2.36%)
Cheng Sun Trading Co., Ltd.	Jin Ji Investment Enterprise Co., Ltd. (40%), Li Gang Enterprise Co., Ltd. (20%), Jin Yu Shan Development Co., Ltd. (18.17%), K.F.S. Co., Ltd. (10%), Su, Hsing-Chien (10%), and Top Expert Industrial Limited (1.83%)
Harvest Investment, Ltd.	Jennifer Chen (100%)
Kang Yu Investment Co., Ltd.	Ko, Wen-Hui (25%), Ko, Wen-Hua (25%), Ko, Wang-Jen (25%), and Ko, Wang-Te (25%)

Note: Disclosure for shareholders of major institutional shareholders of Toyota Motor Corporation is not available subject to local restrictions.

III. Corporate Governance

III. Corporate Governance

(5) President, Vice Presidents, Chief Officer, and Department and Divisional Executive Officers

April 30, 2017

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
					Number	%	Number	%	Number	%			Title	Name	Relationship
President	Taiwan	Su, Chwen-Shing	Male	June 22, 2010	0	0.0%	100,000	0.02%	0	0.0%	MBA, Massachusetts Institute of Technology	Chairman, Carmax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Vice Chairman, Hotong Motor Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Hozan Investment Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Yangpu Heling Motor Sales & Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Supervisor, Kuotu Motor Co., Ltd. Supervisor, Denso Taiwan Corp.	N/A	N/A	N/A

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
					Number	%	Number	%	Number	%			Title	Name	Relationship
Executive Vice President	Japan	KATSUHITO OHNO	Male	January 1, 2016	0	0.0%	0	0.0%	0	0.0%	School of Foreign Languages, Tokyo University of Foreign Studies	Director, Carmax Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Supervisor, Hotai Finance Co., Ltd. Supervisor, Hotai Leasing Co., Ltd.	N/A	N/A	N/A
Senior Vice President	Taiwan	Tien Tien-Ming (Please refer to Note)	Male	July 1, 2009	18,280	0.003%	0	0.0%	0	0.0%	Master's in International Business, National Chengchi University	Chairman and President, Hotai Finance Co., Ltd. Chairman and President, Hotai Leasing Co., Ltd. Chairman, Hoyun International Lease Co. Ltd. Managing Director, Hoyun (Shanghai) Commercial Factoring Co., Ltd.	N/A	N/A	N/A
Vice President	Taiwan	Liu, Yuan-Sen (Please refer to Note)	Male	July 1, 2011	7,993	0.001%	5,099	0.001%	0	0.0%	Master's in Development Studies, National Chengchi University	Chairman, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Vice Chairman, Hotai Insurance Co., Ltd. Director, Tau Miao Motor Co., Ltd. Director, Central Motor Co., Ltd. Supervisor, Taipei Toyota Motor Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Fred Hsieh	Male	July 1, 2010	0	0.0%	0	0.0%	0	0.0%	MBA, National Taiwan University	Director and President, Hotai Leasing Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Chen, Chien-Chou	Male	July 1, 2010	86	0.0%	0	0.0%	0	0.0%	Department of Economics, Fu Jen Catholic University	Director, Ho-Chuang Insurance Agency Co., Ltd. Supervisor, Eastern Motor Co., Ltd. Supervisor, Yi Tai Transport Co., Ltd. Supervisor, Kuai Shun Storage and Transport Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Lin, Shih-Yuan	Male	July 1, 2010	0	0.0%	0	0.0%	0	0.0%	Department of Mechanical Engineering, Tamkang University	Director, Chang Yuan Motor Co., Ltd. Director, Eastern Motor Co., Ltd. Director, Yi Tai Transport Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Huang, Ming-Hsien	Male	July 1, 2010	0	0.0%	0	0.0%	0	0.0%	EMBA, Soochow University	Chairman, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director and President, Kuotu Motor Co., Ltd. Supervisor, Ho-An Insurance Agency Co., Ltd.	N/A	N/A	N/A

III. Corporate Governance

(Continued)															
Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
					Number	%	Number	%	Number	%			Title	Name	Relation ship
Director	Taiwan	Wu, Chia-Yen	Male	July 1, 2010	0	0.0%	0	0.0%	0	0.0%	Master's in Automotive Engineering Technology, Indiana State University	Director, Eastern Motor Co., Ltd. Director, Yokohama Tire Taiwan Co., Ltd. Director, Ho-An Insurance Agency Co., Ltd. Director, Kuai Shun Storage and Transport Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Hsiao, Chin-Chuan, (Please refer to Note)	Male	July 1, 2003	4,416	0.001%	0	0.0%	0	0.0%	Department of Business Administration, National Chung Hsing University	Director and President, Kau Du Automobile Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Lai, Hung-Ta (Please refer to Note)	Male	July 1, 2007	0	0.0%	0	0.0%	0	0.0%	Master's in Vehicle Engineering, National Taipei University of Technology	Chairman, Smart Design Technology Co, Ltd. Director and President, Carmax Co., Ltd. Director, Guangzhou GAC Chang Ho Autotech Corporation	N/A	N/A	N/A
Director	Taiwan	Tsai, Ching-Feng (Please refer to Note)	Male	July 1, 2011	0	0%	0	0.0%	0	0.0%	Department of Mechanical Engineering, Tamkang University	Director and President, Chang Yuan Motor Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Liu, Chuan-Hung	Male	July 1, 2014	3,000	0.001%	0	0.0%	0	0.0%	EMBA, National Taipei University	Director, Toyota Material Handling Taiwan Ltd. Director, Eastern Motor Co., Ltd. Director, Smart Design Technology Co, Ltd. Director, Heng Yun Investment Co., Ltd. Director, Fan Tai Freight Transport Co., Ltd. Director, Hua Tai Transport Co., Ltd. Director, Guangquan Machinery Co., Ltd. Director, Tongtai Asset Management Co., Ltd. Director, Tongyou Automotive Material Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Hsiao, Hsing-Chien, (Please refer to Note)	Male	July 1, 2014	0	0.0%	0	0.0%	0	0.0%	Master's in Vehicle Engineering, National Taipei University of Technology	Director and President, Toyota Material Handling Taiwan Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Liu, Sung-Shan	Male	July 1, 2015	11,216	0.002%	0	0.0%	0	0.0%	Master's in Public Policy, National Chung Hsing University	Supervisor, Ho-Chuang Insurance Agency Co., Ltd. Supervisor, Heng Yun Investment Co., Ltd. Supervisor, Fan Tai Freight Transport Co., Ltd. Supervisor, Hua Tai Transport Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Wu, Pin-Tsung	Male	July 1, 2016	0	0.0%	0	0.0%	0	0.0%	Master's in Industrial Management, National Cheng Kung University	N/A	N/A	N/A	N/A

III. Corporate Governance

III. Corporate Governance

(Continued)															
Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions		
					Number	%	Number	%	Number	%			Title	Name	Relation ship
Director	Taiwan	Leon, Soo (Please refer to Note)	Male	July 1, 2016	0	0.0%	0	0.0%	0	0.0%	MBA, Wharton School of the University of Pennsylvania	Director, Ho Tai Development Co., Ltd. Director, Formosa Flexible Packaging Corp. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Autotech (Shanghai) Co., Ltd. Director, Guangzhou GAC Chang Ho Autotech Corporation Director and President, Hotong Motor Investment Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Chairman, Shanghai Hede Used Vehicle Co., Ltd. Director, Shanghai Yangpu Heling Motor Sales & Service Co., Ltd. Managing Director and President, Shanghai Guangxin Culture & Media Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Services Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Supervisor, Chang Yuan Motor Co., Ltd.	N/A	N/A	N/A
Director	Taiwan	Chen, Chun-Shan (Please refer to Note)	Male	July 1, 2016	0	0.0%	0	0.0%	0	0.0%	Comprehensive Commerce Program, Yilan Commercial Vocational High School	N/A	N/A	N/A	

Notes: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

III. Corporate Governance

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(6) Remuneration paid to Company directors, supervisors, president, and vice presidents over the past year:

1. Remuneration Paid to Directors:

Unit: NT\$ thousands

Title	Name	Remuneration of Directors								Total Remuneration (A+B+C+D) as a % of Net Income (Note 7)		Compensation Received by a Director Who is an Employee of the Company and/or any Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as % of Net Income (Note 6)		Compensation Paid to Directors from Non-consolidated Affiliates (Note 8)
		Base Compensation (A)(Note 1)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E)(Note 4)		Severance Pay and Pensions (F)		Profit Sharing-Employee Remuneration (G) (Note 5)						
		From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai		From All Consolidated Entities (Note 6)		From Hotai	From All Consolidated Entities (Note 6)			
														Cash	Stock	Cash	Stock					
Chairman/Director	Chun Yung Investment Co, Ltd.	3,960	3,960	0	0	126,169	126,169	60	60	2.63%	2.70%	0	0	0	0	0	0	0	0	3.00%	3.09%	0
Director	Jin Yuan Shan Investment Co., Ltd.	0	0	0	0	72,097	72,097	0	0			0	0	0	0	0	0	0	0			0
Director	Toyota Motor Corporation	0	0	0	0	18,024	18,024	40	40			0	0	0	0	0	0	0	0			0
Director	Gui Long Investment Co., Ltd.	0	0	0	0	18,024	18,024	0	0			0	0	0	0	0	0	0	0			0
Director	Yuan Tuo Investment Co., Ltd.	0	0	0	0	18,024	18,024	0	0			0	0	0	0	0	0	0	0			0
Director (Institutional Shareholder)	Chang Hong Bai Sheng Investment Co., Ltd.	10,209	17,364	13,685	13,685	0	0	2,074	2,929			2.63%	2.70%	34,565	36,665	0	0	4,950	0			0
Chairman	Huang, Nan-Kuang (Authorized representative of Chun Yung Investment Co., Ltd. and Tuo De Investment Co, Ltd.)																					
Managing Director/Director	Lin, Li-Hua (Authorized representative of Chun Yung Investment Co., Ltd. and De Ye Investment Co, Ltd.)																					
Director	Huang, Wen-Jui (Authorized representative of Chun Yung Investment Co., Ltd.)																					
Managing Director/Director	Huang, Chih-Cheng (Authorized representative of Chun Yung Investment Co., Ltd. and Zi Hui Enterprise Co., Ltd.)																					
Managing Director/Director	Su, Yann-Hui (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Managing Director/Director	Su, Yi-Chung (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Managing Director /Director/President	Su, Chwen-Shing (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Director	Su, Maick (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Managing Supervisor/Director	Ko, Junn-Yuan (Authorized representative of Yuan Tuo Investment Co., Ltd.)																					
Director	Chang, Shih-Yieng (Authorized representative of Gui Long Investment Co., Ltd.)																					
Director/Executive Vice President	KATSUHITO OHNO (Authorized representative of Toyota Motor Corporation)																					
Vice Chairman	KONO HIROSHI (Authorized representative of Toyota Motor Corporation)																					
Managing Director	Su, Shih-An (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Director	Chang, Tien-Chun (Authorized representative of Hong Yuan Investment Co., Ltd.)																					
Director	Leon Soo (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Director	Ting, Chiao-Tung (Authorized representative of Sheng Quan Investment Co., Ltd.)																					
Director	Wang, Ko-Chin (Authorized representative of Shang Yao Investment Co., Ltd.)																					
Director	Huang, Si-Bo (Authorized representative of Sheng Gao Enterprise Co., Ltd.)																					
Director	Su, Jean (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Director	Su, Yin (Authorized representative of Jin Yuan Shan Investment Co., Ltd.)																					
Director	Chang, Han-Yun (Authorized representative of of Jin De Mei Investment Co., Ltd.)																					
Director	MITSU HARU TABATA (Authorized representative of Hino Motors, Ltd.)																					
Director	MASAMI GO (Authorized representative of Hino Motors, Ltd.)																					
Independent Director	Chen, Chi-Jhen																					
Independent Director	Su, Chin-Huo																					
Independent Director	Wu, Shih-Hao																					

- Remuneration received by any director of Hotai for the services provided in a non-employee capacity (e.g., as an advisor) to any consolidated entities in Hotai’s latest financial report except as otherwise disclosed herein: none.

Remuneration Paid to Directors by Range

Remuneration Paid to Directors	Names of Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From Hotai (Note 9)	From All Consolidated Entities (Note 10)	From Hotai (Note 9)	From All Consolidated Entities (Note 10)
NT\$ 0 – NT\$ 2,000,000	Tuo De Investment Co., Ltd.; De Ye Investment Co., Ltd.; Zi Hui Enterprise Co., Ltd.; Shang Yao Investment Co., Ltd.; Sheng Gao Enterprise Co., Ltd.; Jin De Mei Investment Co. Ltd.; Hong Yuan Investment Co., Ltd.; Sheng Quan Investment Co., Ltd.; Chang Hong Bai Sheng Investment Co., Ltd.; Hino Motors, Ltd.; Huang, Nan-Kuang; Lin Li-Hua; Huang, Wen-Jui; Huang, Chih-Cheng; Su, Yann -Hui; Su, Yi-Chung; Su, Chwen-Shing; Su, Maick; Ko, Junn-Yuan; Chang, Shih- Yieng; KATSUHITO OHNO; KONO HIROSHI; Chang, Tien-Chun; Leon Soo; Ting, Chiao-Tung; Wang, Ko-Chin; Huang, Si-Bo; Su, Jean; Su, Yin; Chang, Han-Yun; MITSUHARU TABATA; MASAMI GO; Chen, Chi-Jhen; Su, Chin-Huo; Wu, Shih-Hao.	Tuo De Investment Co., Ltd.; De Ye Investment Co., Ltd.; Zi Hui Enterprise Co., Ltd.; Shang Yao Investment Co., Ltd.; Sheng Gao Enterprise Co., Ltd.; Jin De Mei Investment Co. Ltd.; Hong Yuan Investment Co., Ltd.; Sheng Quan Investment Co., Ltd.; Chang Hong Bai Sheng Investment Co., Ltd.; Hino Motors, Ltd.; Huang, Nan-Kuang; Lin Li-Hua; Huang, Wen-Jui; Huang, Chih-Cheng; Su, Yann -Hui; Su, Chwen-Shing; Su, Maick; Ko, Junn-Yuan; Chang, Shih- Yieng; KATSUHITO OHNO; KONO HIROSHI; Chang, Tien-Chun; Leon Soo; Ting, Chiao-Tung; Wang, Ko-Chin; Huang, Si-Bo; Su, Jean; Su, Yin; Chang, Han-Yun; MITSUHARU TABATA; MASAMI GO; Chen, Chi-Jhen; Su, Chin-Huo; Wu, Shih-Hao.	Tuo De Investment Co., Ltd.; De Ye Investment Co., Ltd.; Zi Hui Enterprise Co., Ltd.; Shang Yao Investment Co., Ltd.; Sheng Gao Enterprise Co., Ltd.; Jin De Mei Investment Co. Ltd.; Hong Yuan Investment Co., Ltd.; Sheng Quan Investment Co., Ltd.; Chang Hong Bai Sheng Investment Co., Ltd.; Hino Motors, Ltd.; Huang, Nan-Kuang; Lin Li-Hua; Huang, Chih-Cheng; Su, Yi-Chung; Su, Maick; Ko, Junn-Yuan; Chang, Shih- Yieng; KONO HIROSHI; Chang, Tien-Chun; Ting, Chiao-Tung; Wang, Ko-Chin; Huang, Si-Bo; Su, Jean; Su, Yin; Chang, Han-Yun; MITSUHARU TABATA; MASAMI GO; Chen, Chi-Jhen; Su, Chin-Huo; Wu, Shih-Hao.	Tuo De Investment Co., Ltd.; De Ye Investment Co., Ltd.; Zi Hui Enterprise Co., Ltd.; Shang Yao Investment Co., Ltd.; Sheng Gao Enterprise Co., Ltd.; Jin De Mei Investment Co. Ltd.; Hong Yuan Investment Co., Ltd.; Sheng Quan Investment Co., Ltd.; Chang Hong Bai Sheng Investment Co., Ltd.; Hino Motors, Ltd.; Huang, Nan-Kuang; Lin Li-Hua; Huang, Chih-Cheng; Su, Maick; Ko, Junn-Yuan; Chang, Shih- Yieng; KONO HIROSHI; Chang, Tien-Chun; Ting, Chiao-Tung; Wang, Ko-Chin; Huang, Si-Bo; Su, Jean; Su, Yin; Chang, Han-Yun; MITSUHARU TABATA; MASAMI GO; Chen, Chi-Jhen; Su, Chin-Huo; Wu, Shih-Hao.
NT\$2,000,000 –NT\$4,999,999	Su, Shih-An	Su, Yi-Chung; Su, Shih-An	Su, Yann -Hui; Su, Shih-An; Leon Soo; Huang, Wen-Jui	Su, Yi-Chung; Su, Shih-An; Leon Soo; Huang, Wen-Jui
NT\$5,000,000 – NT\$9,999,999	–	–	KATSUHITO OHNO	Su, Yann -Hui; KATSUHITO OHNO
NT\$10,000,000 –NT\$14,999,999	–	–	–	–
NT\$15,000,000 – NT\$29,999,999	–	–	Su, Chwen-Shing	Su, Chwen-Shing
NT\$30,000,000 – NT\$49,999,999	–	–	–	–
NT\$50,000,000 – NT\$99,999,999	–	–	–	–
Over NT\$100,000,000	–	–	–	–
Total	36	36	36	36

Note 1 : Remuneration paid to directors in 2016, including salary, allowance, severance, all types of bonuses, and performance bonus.

Note 2 : Compensation paid to directors in 2017 approved by the Board of Directors.

Note 3 : Business expenses incurred by directors in carrying out their duties in 2016, including travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars. There is a total of NT\$703,000 paid to the company drivers as compensation that’s not included in the amount of allowances shown herein.

Note 4 : Compensation received by a director who is an employee (whether serving concurrently in the position of president, vice president, executive officer, or employee) of Hotai and/or any consolidated entities in 2016, which includes salary, allowance, severance, all types of bonuses, performance bonus, travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars. There is a total of NT\$3,496,000 paid to the company drivers as compensation that’s not included in the amount of allowances shown herein.

Note 5 : A director who is an employee of Hotai and/or any consolidated entities that received employee remuneration shall disclose the amount of employee profit-sharing approved by the Board of Directors in the latest year.

Note 6 : Disclosure of total remuneration paid to directors by Hotai and all consolidated entities.

Note 7 : Net profit provided in the parent company only or separate financial statements of the last fiscal year; net profit of Hotai as of December 31, 2016 was NT\$10,740,039,000.

Note 8 : Remuneration received by directors from non-consolidated affiliates.

Note 9 : The names of directors are disclosed in the applicable remuneration range according to the total remuneration paid to each director by Hotai.

Note 10 : The names of directors of Hotai and all consolidated entities are disclosed in the applicable remuneration range according to the total remuneration paid to each director by Hotai and all consolidated entities.

III. Corporate Governance

2. Remuneration Paid to Supervisors

NT\$ in Thousands

Title	Name	Supervisors' Remuneration						Total Remuneration (A+B+C) in % of Net Profit (Note 5)		Remuneration Received from Non-Consolidated Affiliates (Note 6)
		Base Compensation (A) (Note 1)		Compensation to Supervisors (B) (Note 2)		Allowances (C) (Note 3)				
		From Hotai	From All Consolidated Entities (Note 4)	From Hotai	From All Consolidated Entities (Note 4)	From Hotai	From All Consolidated Entities (Note 4)	From Hotai	From All Consolidated Entities (Note 4)	
Supervisor	Yuan Tuo Investment Co., Ltd.	2,100	4,200	18,312	18,312	140	155	0.49%	0.51%	162
Supervisor	Nan Jun Investment Co., Ltd.									
Supervisor	Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan									
Supervisor	Yuan Tuo Investment Co., Ltd., represented by Ko Wang, Wen-Liang									
Supervisor	Weng, Hung-Ta									
Supervisor	Nan Jun Investment Co., Ltd., represented by Tseng, Chi-Fu									

Remuneration Paid to Supervisors by Range

Remuneration Paid to Supervisors	Supervisors	
	Total Remuneration (A+B+C)	
	From Hotai (Note 7)	From All Consolidated Entities (Note 8)
NT\$0 – NT\$ 2,000,000	Yuan Tuo Investment Co., Ltd.; Nan Jun Investment Co., Ltd.; Ko, Junn-Yuan; Ko Wang, Wen-Liang; Weng, Hung-Ta; Tseng, Chi-Fu	Yuan Tuo Investment Co., Ltd.; Nan Jun Investment Co., Ltd.; Ko, Junn-Yuan; Ko Wang, Wen-Liang; Weng, Hung-Ta; Tseng, Chi-Fu
NT\$2,000,000 – NT\$4,999,999	-	-
NT\$5,000,000 – NT\$9,999,999	-	-
NT\$10,000,000 – NT\$14,999,999	-	-
NT\$15,000,000 – NT\$29,999,999	-	-
NT\$30,000,000 – NT\$49,999,999	-	-
NT\$50,000,000 – NT\$99,999,999	-	-
NT\$100,000,000 and above	-	-
Total	5	5

Note 1: Remuneration paid to supervisors in 2016, including salary, allowance, severance, all types of bonuses, and performance bonus.

Note 2: Compensation paid to supervisors in 2017 approved by the Board of Directors.

Note 3: Business expenses incurred by the supervisors in carrying out their duties in 2016, including travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars.

Note 4: Disclosure of total remuneration paid to supervisors by Hotai and all consolidated entities.

Note 5: Net profit provided in the parent company only or separate financial statements of the last fiscal year; net profit of Hotai as of December 31, 2016 was NT\$10,740,039,000.

Note 6: Remuneration received by supervisors from non-consolidated affiliates.

Note 7: The names of supervisors are disclosed in the applicable remuneration range according to the total remuneration paid to each supervisor by Hotai.

Note 8: The names of supervisors are disclosed in the applicable remuneration range according to the total remuneration paid to each supervisor by Hotai and all consolidated entities.

III. Corporate Governance

3. Compensation Paid to President and Vice President

NT\$ in Thousands												
Title	Name	Salary (A) (Note 1)		Bonuses and Allowances (B) (Note 2)		Employee Profit Sharing (C) (Note 3)				Total Compensation (A+B+C) in % of Net Profit (Note 5)		Compensation Received from Non-consolidated Affiliates (Note 6)
		From Hotai	From All Consolidated Entities (Note 4)	From Hotai	From All Consolidated Entities (Note 4)	From Hotai		From All Consolidated Entities (Note 4)		From Hotai	From All Consolidated Entities (Note 4)	
						Cash	Stock	Cash	Stock			
President	Su, Chwen-Shing	13,758	14,340	34,257	34,657	8,064	0	8,064	0	0.52%	0.53%	1,390
Executive Vice President	Katsuhito Ohno											
Senior Vice President	Tien, Tien-Ming (Note 9)											
Vice President	Chang, Min-Chieh (Note 10)											
Vice President	Liu, Yuan-Sen (Note 9)											

Compensation Paid to President and Vice President by Range

Compensation Paid to President and Vice President	President and Vice Presidents	
	From Hotai (Note 7)	From All Consolidated Entities (Note 8)
NT\$0 – NT\$ 2,000,000	—	—
NT\$2,000,000 – NT\$4,999,999	Katsuhito Ohno	Katsuhito Ohno
NT\$5,000,000 – NT\$9,999,999	—	—
NT\$10,000,000 – NT\$14,999,999	Tien, Tien-Ming; Chang, Min-Chieh; Liu, Yuan-Sen	Tien, Tien-Ming; Chang, Min-Chieh; Liu, Yuan-Sen
NT\$15,000,000 – NT\$29,999,999	Su, Chwen-Shing	Su, Chwen-Shing
NT\$30,000,000 – NT\$49,999,999	—	—
NT\$50,000,000 – NT\$99,999,999	—	—
NT\$100,000,000 and above	—	—
Total	5	5

Note 1: Salary, allowance and severance paid to President and Vice President in 2016.

Note 2: All types of bonuses, performance bonus, travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars paid or provided to President and Vice President in 2016. There is a total of NT\$1,659,000 paid to the company drivers as compensation that's not included in the amount of allowances shown herein.

Note 3: Compensation paid to President and Vice President in 2017 approved by the Board of Directors.

Note 4: Compensation paid to President and Vice President by Hotai and all consolidated entities.

Note 5: Net profit provided in the parent company only or separate financial statements in the last fiscal year; net profit of Hotai as of December 31, 2016 was NT\$10,740,039,000.

Note 6: Compensation received by President and Vice President from non-consolidated affiliates.

Note 7: The names of President and Vice Presidents are disclosed in the applicable compensation range according to the total compensation paid to the President and each Vice President by Hotai.

Note 8: The names of President and Vice Presidents are disclosed in the applicable compensation range according to the total compensation paid to President and each Vice President by Hotai and all consolidated entities.

Note 9: Personnel of Hotai temporarily transferred to any consolidated entities or affiliates.

Note 10: Vice President Chang, Min-Chieh retired in October 2016.

III. Corporate Governance

4. Employee Profit Sharing Granted to Management Team

April 30, 2017

Title		Name	Cash (NT\$) (Note 1)	Total (NT\$)	Total Amount in % of Net Profit
Executive Officers	President	Su, Chwen-Shing	27,348,587	27,348,587	0.25%
	Senior Vice President	Tien, Tien-Ming			
	Executive Vice President	Katsuhito Ohno			
	Vice President	Liu, Yuan-Sen			
	Vice President	Chang, Min-Chieh			
	Director	Fred Hsieh			
	Director and Chief Financial Officer	Chen, Chien-Chou			
	Director	Huang, Ming-Hsien			
	Director	Lin, Shih-Yuan			
	Director	Wu, Chia-Yen			
	Director	Katano Mamoru			
	Director	Hsiao, Chin-Chuan			
	Director	Tsai, Ching-Feng			
	Director	Lai, Hung-Ta			
	Director	Hsiao, Hsing-Chien			
	Director	Liu, Chuan-Hung			
	Director	Liu, Sung-Shan			
	Director	Wu, Pin-Tsung			
	Director	Leon, Soo			
	Director	Chen, Chun-Shan			
	Chief Accounting Officer	Chen, Ting-Ju			

Note 1: Employee profit sharing granted to the management team approved by the Board of Director in 2017.

Note 2: According to Tai Cai Zheng San Zi letter No. 0920001301 issued by the FSC on March 27, 2003, executive officers eligible to participate in profit sharing are as follows:

- (1) President and equivalent job grade;
- (2) Vice president and equivalent job grade;
- (3) Director and equivalent job grade;
- (4) Chief financial officer;
- (5) Chief accounting officer; and
- (6) Any other individual who is in a management position or authorized to sign on behalf of the Company.

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(7) Analysis of Total Remuneration Received by Directors, Supervisors, Presidents and Vice Presidents from Hotai and all Consolidated Entities in Percentage of Net Profit of Parent Company Only and Separate Financial Statements in the Most Recent Two Fiscal Years, and Remuneration Policy for Directors, Supervisors, President and Vice Presidents.

1. Analysis of Total Remuneration Received by Directors, Supervisors, Presidents and Vice Presidents from Hotai and all Consolidated Entities in Percentage of Net Profit

	Hotai (Parent Company Only)		Consolidated Entities		Percentage Changes	
	Total Remuneration in % of Net Profit		Total Remuneration in % of Net Profit (%)		Hotai	Consolidated Entities
	2016	2015	2016	2015		
Director	3.00%	3.56%	3.09%	3.66%	-0.56%	-0.57%
Supervisor	0.04%	0.49%	0.05%	0.51%	-0.45%	-0.46%
President and Vice President	0.52%	0.57%	0.53%	0.58%	-0.05%	-0.05%

Description:

- On June 21, 2016, Hotai had a re-election of directors and replaced the supervisor positions with independent directors. As a result, the number of board seats was reduced from 25 (including 4 supervisors) to 14 (including 3 independent directors), which was the main reason that the total remuneration received by directors and supervisors in 2016 decreased compared to the previous fiscal year.
- The net profit of Hotai was NT\$10,740,039,000 as of December 31, 2016 and NT\$9,776,591,000 as of December 31, 2015.

2. Remuneration Policy, Standard and Package, as well as Procedures for Determining Remuneration and Relevance to Business Performance and Future Risks

- (1) Remuneration paid to the directors includes base compensation, compensation from profit sharing, and allowance. According to the Articles of Incorporation of the Company, no more than two percent of profit of the current year shall distribute to directors' remuneration; travel allowance is only paid to those who attend the Board meetings.
- (2) Compensation paid to the executive officers includes salary, bonuses and employee profit sharing. While salary is paid in accordance with our Compensation Policy, payments of bonuses and employee profit sharing are subject to the business performance of the Company and individual performance review under relevant rules.

III. Corporate Governance

3. Corporate Governance

(1) Board of Directors

1. Board of Directors Meetings: Ten (A) meetings were convened in 2016. The attendance of directors is as follows:

Title	Name (Note 1)	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)(Note 2)	Remarks
Chairman	Tuo De Investment Co, Ltd., represented by Huang, Nan-Kuang	4	0	100%	18 th director; term of office expired on June 20, 2016
Managing Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yi-Chung	4	0	100%	
Managing Director	De Ye Investment Co., Ltd., represented by Lin, Li-Hua	4	0	100%	
Managing Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Shih-An	4	0	100%	
Managing Director	Zi Hui Enterprise Co., Ltd., represented by Huang, Chih-Cheng	4	0	100%	
Managing Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Chwen-Shing	4	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yann-Huei	3	1	75%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Maick	4	0	100%	
Director	Gui Long Investment Co., Ltd., represented by Chang, Shih-Yieng	4	0	100%	
Director	Sheng Gao Enterprise Co., Ltd., represented by Huang, Si-Bo	4	0	100%	
Director	Hong Yuan Investment Co., Ltd., represented by Chang, Tien-Chun	4	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Jean	4	0	100%	
Director	Shang Yao Investment Co., Ltd., represented by Wang, Ko-Chin	4	0	100%	
Director	Chang Hong Bai Sheng Investment Co., Ltd.	4	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yin	4	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Leon Soo	4	0	100%	
Director	Sheng Quan Investment Co., Ltd., represented by Ting, Chiao-Tung	3	1	75%	
Director	Jin De Mei Investment Co., Ltd., represented by Chang, Han-Yun	4	0	100%	
Director	Toyota Motor Corporation, represented by Kono Hiroshi	2	0	100%	18 th director; term of office expired on April 7, 2016
Director	Toyota Motor Corporation, represented by Katsuhito Ohno	2	0	100%	18 th director; term of office began on April 8, 2016, expired on June 20, 2016
Director	Hino Motors, Ltd., represented by Masami Go	0	0	0%	18 th director; term of office expired on March 28, 2016
Director	Hino Motors, Ltd., represented by Mitsuharu Tabata	1	0	33%	18 th director; term of office began on March 29, 2016, expired on June 20, 2016
Director	Huang, Wen-Jui	3	1	75%	18 th director; term of office expired on June 20, 2016
Supervisor	Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	4	0	100%	18 th supervisor; term of office expired on June 20, 2016
Supervisor	Yuan Tuo Investment Co., Ltd., represented by Ko Wang, Wen-Liang	2	0	100%	
Supervisor	Weng, Hung-Ta	4	0	100%	
Supervisor	Nan Jun Investment Co., Ltd., represented by Tseng, Chi-Fu	3	0	100%	

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Title	Name (Note 1)	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)(Note 2)	Remarks
Director	Chun Yung Investment Co, Ltd., represented by Huang, Nan-Kuang	6	0	100%	19 th director; term of office began on June 21, 2016
Director	Chun Yung Investment Co, Ltd., represented by Lin, Li-Hua	6	0	100%	
Director	Chun Yung Investment Co, Ltd., represented by Huang, Chih-Cheng	6	0	100%	
Director	Chun Yung Investment Co, Ltd., represented by Huang, Wen-Jui	5	1	83%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yi-Chung	6	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Chwen-Shing	6	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yann-Huei	6	0	100%	
Director	Jin Yuan Shan Investment Co., Ltd., represented by Su, Maick	6	0	100%	
Director	Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	6	0	100%	
Director	Gui Long Investment Co., Ltd., represented by Chang, Shih-Yieng	6	0	100%	
Director	Toyota Motor Corporation, represented by Katsuhito Ohno	6	0	100%	
Independent Director	Chen, Chi-Jhen	6	0	100%	19 th independent director; term of office began on June 21, 2016
Independent Director	Su, Chin-Huo	6	0	100%	
Independent Director	Wu, Shih-Hao	6	0	100%	

Annotations:

- If any of the following events occurs, specify the date and session number of the Board meeting, summary of the proposal, the opinions of the independent directors, and the actions taken by the Company in response to the opinions of independent directors:
 - Any matters stipulated in Article 14-3 of the Securities and Exchange Act: The Company had set up the Audit Committee, so it is not applicable of Article 14-3 of the Securities and Exchange Act.
 - In addition to the foregoing, any other resolution on record or in writing which contains the independent directors dissenting or qualified opinion: None.
- Recusal of directors due to conflicts of interest:
 - The 2nd Meeting of the 19th Board was held on June 29, 2016 to discuss the appointment of members of the Remuneration Committee. Since all three independent directors are also members of the Remuneration Committee, they have recused themselves from discussion and voting on the matter.
 - The 2nd Meeting of the 19th Board was held on June 29, 2016 to discuss the appointment of Director Su, Yann-Huei as chief advisor. Su, Yann-Huei has recused himself from the discussion and voting on the matter.
 - The 8th Meeting of the 19th Board was held on March 28, 2017 to discuss director's remuneration for 2016. As the matter concerns all directors, the representative of each director that is a juristic person has recused himself/herself during voting when it was relevant.
- Objectives of the Company to strengthen the functions of the Board of Directors (e.g., establishing an audit committee and enhancing information transparency) in 2016 and 2017, and assessment of implementation:
The Audit Committee of the Company has been established since June 21, 2016 to support the functions of the Board.

Note 1: The name of a corporate shareholder and its representative shall be disclosed where the director or supervisor is a juristic person.

Note 2:

- If a director or supervisor resigns before the end of a fiscal year, the date of resignation shall be included in the remarks column. Rate of attendance in person (%) is calculated based on the total number of Board meetings held and the total number of Board meetings attended by a director or supervisor in person during his or her term.
- If a director or supervisor is re-elected before the end of a fiscal year, the names of the current and former directors or supervisors shall be included and their appointment status and re-election date shall be noted in the remarks column. Rate of attendance in person (%) is calculated based on the total number of Board meetings held and the total number of Board meetings attended by a director or supervisor in person during his or her term.

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(2) Audit Committee Meetings

Hotai has established an audit committee on June 21, 2016. Four (A) audit committee meetings were held in 2016. The attendance of independent directors is as follows:

Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remarks
Independent Director	Chen, Chi-Jhen	4	0	100%	Current independent director; term of office began on June 21, 2016
Independent Director	Su, Chin-Huo	4	0	100%	Current independent director; term of office began on June 21, 2016
Independent Director	Wu, Shih-Hao	4	0	100%	Current independent director; term of office began on June 21, 2016

Annotations:

1.If any of the following events occurs, specify the date and session number of the Audit Committee meeting, summary of the proposal, resolution of the Audit Committee, and the actions taken by the Company in response to the opinions of the Audit Committee if any of the following occurs:

(1) Matters stipulated in Article 14-5 of the Securities and Exchange Act:

Date/Session No.	Summary of Proposals	Audit Committee Resolution	Actions Taken
June 29, 2016 2 nd Meeting of the 19 th Board	1. Appointment of chief internal audit officer 2. Appointment of chief advisor 3. Amendments to the internal control system	The proposals were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently presented to the Board for resolution.	Approved by the Board
August 11, 2016 3 rd Meeting of the 19 th Board	1. FY2016 2Q Consolidated Financial Statements	The proposal were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently presented to the Board for resolution.	Approved by the Board
November 10, 2016 5 th Meeting of the 19 th Board	1. Amendments to the internal control system 2. FY2017 Annual Audit Plan 3. Amendments to the Procedures for Acquisition and Disposition of Assets 4. Amendments to the Procedures for Engaging in Derivative Products Transaction 5. Amendment to the Operating Procedures for Fund Lending 6. Amendments to the Procedures for Providing Endorsement and Guarantee of Obligations 7. Proposal to convene the 2016 Extraordinary General Meeting of the Shareholders	The proposal were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently presented to the Board for resolution.	Approved by the Board

December 29, 2016 6 th Meeting of the 19 th Board	1. Assessment of the independence of the Company's external auditor 2. Proposal to participate in the capital increase of Heng Yun Investment Co., Ltd. through the Company's wholly owned subsidiary	The proposal were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently presented to the Board for resolution.	Approved by the Board

(2) In addition to the foregoing, any other proposal that was not approved by the Audit Committee, but was passed by resolution of more than two thirds of all Board members: Not Applicable

2.If any independent director is required to recuse himself/herself due to conflicts of interest, please specify the name of the independent director, summary of the proposal, reason for recusal, and whether such independent director

III. Corporate Governance

has participated in the voting: Not Applicable

3. Communication between independent directors and auditors/Chief Internal Audit Officer:

(1) Summary of communication between independent directors and auditors:

Date	Discussion Points
November 3, 2016	• The Company's external auditor provided explanations to the independent directors on the audit of Hotai Group's FY2016 Parent Company Only Financial Statements and the Company's FY2016 Parent-Only Financial Statements. • Important changes in the Statements on Auditing Standards.

(2) Summary of communication between independent directors and chief internal control officer:

Date	Discussion Points
August 11, 2016	FY2016 2Q internal audit execution report
November 10, 2016	FY2016 3Q internal audit execution report

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(3) Corporate Governance

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
1. Has the Company adopted and disclosed its corporate governance principles in accordance with <i>Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</i> ?	V		We have adopted <i>Corporate Governance Best Practice Principles</i> in compliance with <i>Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</i> and disclosed on the Market Observation Post System and our corporate website.	Compliant
2. Shareholders' structure and shareholders' rights				Compliant
(1) Has the Company set up internal operating procedures for handling shareholder suggestions, inquiries, disputes, and litigation matters? If so, have these procedures been implemented accordingly?	V		We have a spokesperson, a dedicated department, and a stock transfer agent to handle shareholder affairs, besides, we have also set up "Shareholder Service" and "Stakeholders Section" on our corporate website for shareholder inquiries and comments, which are processed and responded in accordance with relevant procedures.	
(2) Does the Company keep track of the list of major shareholders having actual control of the Company, as well as the beneficial owners of such shareholders?	V		The structure of our major shareholders is solid. We constantly monitor shareholder ownership by reviewing the shareholder list provided by our stock transfer agent, and regularly reporting the shareholding changes of directors, supervisors, and management team.	
(3) Has the Company built and implemented a risk management system and firewalls between the Company and its affiliates?	V		We have established " <i>Regulations for the Operation of Affiliates Companies</i> " and regularly monitor subsidiaries in accordance with internal control and audit systems in order to duly implement risk management of our subsidiaries.	
(4) Has the Company established internal rules prohibiting insider trading on nonpublic information?	V		We have established <i>Procedures for Processing Material Nonpublic Information</i> . We have also adopted <i>Management of Insider Trading Prevention</i> as part of the management procedures of our internal control which stipulates prohibitions on insider trading.	
3. Composition and responsibilities of the Board of Directors				
(1) Has the Board of Directors adopted a diversity policy for its Board composition, and has the policy been implemented accordingly?	V		The <i>Corporate Governance Best Practice Principles</i> adopted by the Company requires us to consider Board diversity. The number of directors who serve concurrently as executive officers of the Company shall not exceed one third of the Board seats. In addition, the <i>Principles</i> also provide some guidelines on diversity based on the operation, nature of business activities and development needs of the Company. Currently, we have a total of 14 directors, with three independent directors included. One of the directors is female. The directors are expertise in various areas, such as management, business administration, and finance. We not only consider professional skills and experience, but also place great emphasis on personal reputation in respect of ethics and leadership skills in the selection process. (See Note1)	Compliant
(2) Other than the remuneration and audit committees which are required by law, has the Company set up other functional committees?	V		We have set up an Occupational Health and Safety Committee, Information Safety Committee, Environmental Management Committee, and CS Committee.	Compliant

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Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
(3) Has the Company established rules and methods for evaluating the performance of the Board of Directors on an annual basis?	V		We have adopted <i>Hotai Motor Rules for Performance Evaluation of the Board of Directors</i>. Every year in December, the performance of the Board for the fiscal year will be reviewed and evaluated; evaluation items include the overall function of the Board and individual director self-evaluation. Evaluation of the overall Board performance shall address these five areas: 1. Participation in the operations of the Company 2. Enhancement of Board decision quality 3. Board composition and structure 4. Selection of Board members and continuing education of directors 5. Internal control Evaluation of individual directors shall address these six areas: 1. Alignment with the objectives and mission of the Company 2. Competencies of the directors 3. Participation in the operations of the Company 4. Relationships and communication with other personnel within the Company 5. Director expertise and continuing education 6. Internal control We have conducted our first Board performance evaluation on December 29, 2016. The results of the evaluation and possible solutions to areas of improvement identified were presented at the Board meeting on January 24, 2017. Based on our 2016 Board performance evaluation, the Board as a whole is effective and well-functioned.	Compliant
(4) Does the Company regularly evaluate its external auditor's independence?	V		Once a year, the independence of our external auditor is evaluated by the Audit Committee and the Board of Directors. On December 29, 2016, the Audit Committee and the Board of Directors met and reviewed the independence of our external auditors, Hsiao, Chin-Mu and Chou, Chien-Hung of PricewaterhouseCoopers Taiwan. It was confirmed that there is no conflict of interest or business relationship existing between the auditors and the Company other than the audit fees paid for the services provided, and no other circumstances were found involving the family members of the auditors or their audit team that could impair independence. (See Note2)	Compliant
4. Has the Company established a department or position which is tasked with corporate governance related matters (including but not limited to, providing directors and supervisors with information necessary to carry out their duties, coordinating Board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information, preparing minutes of the Board meetings and shareholders' meetings)?	V		We have established an Investor Relations Office under the External Affairs & Legal Division to be in charge of the execution of corporate governance related matters, including filing for change of registration information, coordinating Board meetings and shareholders' meetings pursuant to proper legal procedures, preparing minutes of the Board meetings and shareholders' meetings, and other responsibilities regarding investor relations.	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
5. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders' section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		We have a 0800 toll-free number, a "Stakeholders" section on our corporate website and a social media site to provide timely response to stakeholders. We also maintain an open communication channel for our employees, consumers, suppliers and creditors.	Compliant
6. Has the Company appointed a professional stock transfer agent for its shareholders' meetings?	V		We have appointed President Securities Corporation to handle matters relating to our shareholders' meetings.	Compliant
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance? (2) Does the Company use other disclosure channels (e.g., maintaining an English-language website, designated personnel to collect and disclose the Company's information, appointed spokesperson, investor conference webcast)?	V	V	We have set up and regularly updated an "Investor Relations" section on our corporate website (www.hotaimotor.com.tw) for the purpose of disclosing financial and business information. We maintain a Chinese-language and English-language website. Our External Affairs & Legal Division is responsible for collecting and disclosing the Company's information and regularly updating the information on our website. We have also appointed Director Mr. Liu, Sung-Shan as the spokesperson and manager Mr. Li, Chien-Hsing as the acting spokesperson in compliance with the law.	Compliant
8. Has the Company disclosed other information which may facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, director and supervisor training, risk management policy and risk assessment measures, the implementation of customer relations policy, and the Company purchasing liability insurance for its directors and supervisors)?	V		(1) Employee rights: we regularly hold labor-management meetings and have an employee suggestion box in accordance with the Labor Standards Act and pursuant to our human resources regulations to protect employee rights. (2) Employee wellness: we engage specialists or institutions to provide employee assistance programs, including healthcare consultation, fitness courses, and on-job-development training. (3) Investor relations: protecting shareholder interests is our top priority, and we treat all shareholders equally. We also promptly disclose important information regarding the Company's finances, operations, and changes in shareholding of insiders on the Market Observation Post System as required by law. (4) Supplier relations: we maintain close working relationships and open communication channels with our suppliers and respect and protect their lawful rights. Together with our suppliers, we strive to provide better products and services to our consumers and establish a value chain with sustainable development capabilities. (5) Stakeholder rights: we value the opinions and suggestions of our stakeholders, whether they are customers, partners, employees, shareholders, investors, or the local community. It is our stakeholders that propel us to continue to improve and excel, thereby creating a virtuous cycle that benefits the society as a whole. (6) Director and supervisor training: we provide director and supervisor training in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEx Listed Companies. Please refer to the appendix in this chapter for "Training and Continuing Education of Directors and Supervisors".	Compliant

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Evaluation Item	Implementation Status			Deviation from <i>Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
			(7) Risk management policy and risk assessment measures: all the important resolutions of the Company, such as major operation policies, investments, endorsements and guarantees, fund lending, bank financing, are assessed and analyzed by responsible departments and implemented in accordance with the decisions of the Board of Directors. The Auditing Division also adopts annual audit plan based on the results of risk assessment in order to implement supervisory mechanism and monitor the execution of risk management. (8) Implementation of customer relations policies: our objective is to create services that exceed customer expectations. We provide comprehensive customer services through our customer hotline, customer care, vehicle sales, maintenance services, logistics system, information integration system, as well as implementation of the "Toyota Way", i.e., continuous improvement and respect for people. (9) Directors and Officers liability insurance purchased by the Company: We have purchased liability insurance for our directors and key officers.	
9. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved, and priorities and measures to be taken on areas identified for improvement: We have made a considerable progress on the scores received in the 3rd Corporate Governance Evaluation compared to the previous year. The areas of improvements are as follows: (1) Established independent director positions and the Audit Committee. (2) Disclosed English versions of the information such as material information, annual report, shareholders' meeting handbook, notice of meeting and financial statements. (3) Purchased liability insurance for our directors and key officers. (4) Established performance evaluation guidelines and evaluation methods for the Board of Directors. (5) Hosted investor conferences. (6) Obtained third-party assurance/verification for our Corporate Social Responsibility Report. As to other items, Hotai will continue to evaluate the feasibility of future improvement.				

III. Corporate Governance

Note 1: Implement of diversity policy

Item	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions
Huang, Chih-Cheng	√	√	√	√	√	√	√	√
Su, Chwen-Shing	√	√	√	√	√	√	√	√
KATSUHITO OHNO	√	√	√	√	√	√	√	√
Lin, Li-Hua	√	√	√	√	√	√	√	√
Su, Yann-Huei	√	√	√	√	√	√	√	√
Huang, Chih-Cheng	√	√	√	√	√	√	√	√
Su, Yi-Chung	√	√	√	√	√	√	√	√
Ko, Junn-Yuan	√	√	√	√	√	√	√	√
Chang, Shih-Yieng	√	√	√	√	√	√	√	√
Huang, Wen-Jui	√	√	√	√	√	√	√	√
Su, Maick	√	√	√	√	√	√	√	√
Chen, Chi-Chen	√	√	√	√	√	√	√	√
Su, Chin-Huo	√	√	√	√	√	√	√	√
Wu, Shih-Hao	√	√	√	√	√	√	√	√

Note 2: Evaluation of External Auditor's Independence

Item	Standards of Evaluation	Evaluation Results	Independence
1	Does the auditor, his/her spouse or children that are minors have any investment or financial interests in the Company?	No	Yes
2	Except in the case that the Company is a financial institution and the loan is obtained under its normal lending procedures, terms, and requirements, does the auditor, his/her spouse or children that are minors have any loan to or from the Company?	No	Yes
3	Does the auditor or any person on the audit engagement team currently serve or has served within the last two years as a director, officer, or other position at the Company that has significant influence on the audit of the Company?	No	Yes
4	Has the auditor or any person on the audit engagement team promoted or acted as an intermediary for the shares or securities issued by the Company?	No	Yes
5	Has the auditor or any person on the audit engagement team acted as an advocate for the Company in a legal proceeding or dispute against a third party in providing non-audit services other than as permitted by the law?	No	Yes
6	Does the auditor or any person on the audit engagement team has a familial relationship with a director, officer, or any person holding a position at the Company that has significant influence on the audit of the Company, including spouse, lineal ascendant or descendant, spouse's lineal ascendant or descendant, or blood relative within the second degree of kinship?	No	Yes
7	Has any individual formerly employed by the auditor within the last year been employed by the Company to serve as a director, officer, or other position at the Company that has significant influence on the audit of the Company?	No	Yes
8	Has the auditor or any person on the audit engagement team accepted any gift of significant value or preferential treatment from the Company or any of its directors, officers or major shareholders?	No	Yes
9	Is the auditor currently employed by the Company to regularly perform services and receive fixed payment, or serving as a director or supervisor of the Company?	No	Yes

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Appendix: Training and Continuing Education of Directors and Supervisors

Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Chairman	Huang, Nan-Kuang	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Katsuhito Ohno	September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Su, Yi-Chung	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Lin, Li-Hua	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

III. Corporate Governance

Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Director	Huang, Chih-Cheng	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Su, Chwen-Shing	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Su, Yann-Huei	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

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Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Director	Chang, Shih-Yieng	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Huang, Wen-Jui	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Director	Su, Maick	December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

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Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Director	Ko, Junn-Yuan	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Independent Director	Chen, Chi-Jhen	August 2, 2016	August 2, 2016	Securities & Futures Institute	Equity Transfer by Insiders of Listed Companies and Legal Compliance	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
		December 2, 2016	December 2, 2016	Taiwan Corporate Governance Association	Professional Director's View on Corporate Governance and Building an Effective Board	3
Independent Director	Su, Chin-Huo	July 14, 2016	July 14, 2016	Taiwan Corporate Governance Association	Discussion on the Legal Liabilities of Independent Directors	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Independent Director	Wu, Shih-Hao	August 10, 2016	August 10, 2016	Securities & Futures Institute	Enhancing Corporate Governance: Anti-Corruption and Protection of Trade Secrets	3
		September 1, 2016	September 1, 2016	Securities & Futures Institute	Case Analysis on Breach of Trust/ Breach of Fiduciary Duty and Embezzlement by Directors and Supervisors	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

III. Corporate Governance

Appendix: Training and Continuing Education of Executive Officers and Director and Supervisor Representatives of Affiliates

Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Senior Vice President of Hotai Chairman of Hotai Finance	Tien, Tien-Ming	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Vice President of Hotai Director of Nan Du Motor	Chang, Min-Chieh	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Vice President of Hotai Director of Kuotu Motor	Liu, Yuan-Sen	December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

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Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Chief Officer of Hotai Supervisor of Taipei Toyota Motor	Chen, Chien-Chou	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Chief Officer of Hotai Director of Hotai Leasing	Fred Hsieh	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		November 28, 2013	November 28, 2013	Taiwan Corporate Governance Association	The 9 th Taipei Corporate Governance Forum	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Chief Officer of Hotai Director of Central Motor	Huang, Ming-Hsien	December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

III. Corporate Governance

Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Chief Officer of Hotai Director of Tau Miao Motor	Wu, Chia-Yen	December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Chief Officer of Hotai Director of Chang Yuan Motor	Lin, Shih-Yuan	December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Chief Officer of Hotai Director of Chang Yuan Motor	Tsai, Ching-Feng	December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		June 26, 2015	June 26, 2015	Taiwan Corporate Governance Association	Directors and Supervisors Liabilities and Legal Risks	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Chief Officer of Hotai Director of CarMax	Lai, Hung-Ta	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3

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Title	Name	Dates		Sponsoring Organization	Course Title	Hours
		From	To			
Chief Officer of Hotai Director of Toyota Material Handling Taiwan Ltd.	Hsiao, Hsing-Chien	July 27, 2012	July 27, 2012	csrCommunity International Limited	Corporate Social Responsibility (CSR) - Evaluating Corporate Competitiveness from Non-financial Performance Indicators	3
		December 20, 2013	December 20, 2013	Jones Day	The Latest Development of Insider Trading and Preventive Measures Taken by Companies	3
		December 18, 2014	December 18, 2014	Taiwan Corporate Governance Association	Discussion on the Promotion of Audit Committees and CSR Trends from a Corporate Governance Perspective	3
		December 18, 2015	December 18, 2015	Taiwan Corporate Governance Association	Composition of Directors and Supervisors and Enhancing Board Effectiveness	3
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3
Chief Officer of Hotai	Liu, Sung-Shan	August 21, 2015	August 21, 2015	The Institute of International Auditors-Chinese Taiwan	Corporate Governance and Social Responsibility Practice - Legal Risks	6
		September 15, 2015	September 15, 2015	The Institute of International Auditors-Chinese Taiwan	Risk-based Strategic Auditing	6
		September 29, 2016	September 29, 2016	Taiwan Corporate Governance Association	Corporate Governance Blueprint Indicators and Corporate Social Responsibility Strategies	3
		November 10, 2016	November 10, 2016	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Directors	3

III. Corporate Governance

(4) Composition, Functions and Operations of Remuneration Committee

1. Remuneration Committee Members

Title	Name	Meet the Following Professional Qualifications, Together with at Least Five Years of Work Experience			Independence Criteria (Note)								Serving as Member of the Remuneration Committee on Other Public Company Boards
		An Instructor or Higher Position in the Department of Business, Law, Finance, Accounting or Other Academics Related to Business of the Company at a Public or Private College or University	A Judge, Prosecutor, Lawyer, Certified Public Accountant, or Other Professional or Technician Certified through a National Examination in an Area of Expertise Required for the Business of the Company	Work Experience in the Areas of Business, Law, Finance, Accounting, or Otherwise Required for the Business of the Company	1	2	3	4	5	6	7	8	
Independent Director	Chen, Chi-Jhen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Wu, Shih-Hao	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Su, Chin-Huo			✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please check the corresponding boxes of the following criteria that apply to the members during the two years prior to being elected and during the term(s) of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under nominee accounts, in an aggregate amount of 1% or more of the total number of issued and outstanding shares of the Company, or ranks as one of the top 10 largest shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued and outstanding shares of the Company, or ranks as one of its top five largest shareholders.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides business, legal, financial, accounting services or consultation to the Company or its affiliates, or a spouse thereof.
- (8) Not a person of any conditions defined in Article 30 of the Company Act.

2. Attendance of Remuneration Committee Members

- (1) The Remuneration Committee consists of three members.
- (2) The term of the current members is from June 29, 2016 to June 20, 2019. In 2016, three (A) Remuneration Committee meetings were convened. The attendance of the Remuneration Committee members is as follows:

Title	Name	Attendance in Person(B)	Attendance By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Chen, Chi-Jhen	3	0	100%	Re-elected on June 29, 2016
Member	Wu, Shih-Hao	3	0	100%	Re-elected on June 29, 2016
Member	Su, Chin-Huo	3	0	100%	Re-elected on June 29, 2016

Annotations:

1. If the Board of Directors declines or revises the recommendations of the Remuneration Committee, it shall note the date and session number of the meeting, summary of the proposal and resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the circumstances and reasons for the difference shall be specified if the remuneration adopted by the Board of Directors is more preferential than the Remuneration Committee's recommendation): not applicable.
2. If there is any dissenting or qualified opinion by a member on the Remuneration Committee's resolutions on record or in writing, the date and session number of the meeting, summary of the proposal, and all members' opinions and responses should be specified: not applicable.

Note:

- (1) If a member of the Remuneration Committee resigns before the end of the fiscal year, the resignation date shall be noted in the remarks column. The rate of attendance in person (%) will be calculated based on the number of meetings convened and the number of meetings attended by the member in person during his or her term.
- (2) If a Remuneration Committee member is re-elected before the end of the fiscal year, the name of current and previous members shall be included and their appointment status and re-election date shall be disclosed in the remarks column. The rate of attendance in person (%) will be calculated based on the number of meetings convened and the number of meetings attended by the member in person during his or her term.

III. Corporate Governance

(5) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviation from <i>Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
1. Corporate Governance Implementation				
(1) Has the Company adopted corporate social responsibility policies and reviewed the results of the implementation?	V		We have established <i>Corporate Social Responsibility Principles</i> , and actively deliver our commitment to corporate social responsibility in order to keep up with the trend of environmental sustainability, social welfare and corporate governance.	Compliant
(2) Does the Company hold regular CSR trainings?		V	We continue to promote our business philosophy and corporate social responsibility through various campaigns. Going forward, we plan to include CSR courses in our education and training programs.	Compliant
(3) Has the Company established a dedicated CSR unit with the Board of Directors authorized for senior management, which reports to the Board of Directors?	V		1. We have established a Corporate Social Responsibility (CSR) Unit in 2012 to assist relevant business units in promoting CSR practices. In addition, the CSR Unit is responsible for collecting all the information regarding CSR implementation and preparing CSR report. 2. We have been issuing CSR reports for four consecutive years since 2013. By taking a progressive stance, it is our intention to make the information available to the general public and stakeholders regarding Hotai's commitment and activities in implementing corporate sustainability and social responsibility. Our fifth report will be issued in June 2017. In our latest report, we emphasize disclosure of the management system within the group (Hotai and our subsidiaries) and outside the organization (value chain), as well as relevant information on sustainability. We will work towards incorporating UN's Sustainable Development Goals with our operation strategies and implement management guidelines, thereby fulfilling our corporate social responsibility alongside our global partners.	Compliant
(4) Has the Company adopted a reasonable compensation policy, integrated employee performance with CSR policy, and established an effective incentive and disciplinary policies?	V		1. We have adopted a fair and reasonable compensation policy which takes into consideration the average salaries of other companies in the industry and market trends. We have also established a clear and effective incentive and disciplinary policies and conduct employee performance annually. 2. Our <i>Employee Code of Conduct</i> provides a set of guidelines for employee conduct in relation to the Company, our business activities and the society, and promotes regulatory and social standard compliance with honesty and integrity. The <i>Employee Code of Conduct</i> is also made available to employees on our intranet.	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from <i>Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
2. Sustainable Environment Development				
(1) Does the Company endeavor to improve resource efficiency and use renewable materials that have low environmental impact?	V		1. Working closely together with our dealers, we have successfully reduced 277 tons of paper usage in 2016 by recycling packaging materials. 2. We have installed refrigerant recovery machines at all of our offices and dealerships in Taiwan since 1st March, 1991. The machines are able to effectively recycle, store residual refrigerant, prevent it from leaking out of the atmosphere and reduce ozone depletion. Recovered refrigerant can be purified and reclaimed, and reused in vehicles after inspection. They can not only have energy-efficient function but also minimize impact on the environment. Currently all of our service workshops are equipped with R134a refrigerant recovery machines to recover refrigerant for reuse. 3. We helped our dealers by introducing a centralized lubrication system and refillable brake cleaners to reduce bottle waste, established a national waste recycling and disposal system, and continuously promoted energy saving and carbon reduction programs.	Compliant
(2) Has the Company established a proper environmental management system based on the industry characteristics?	V		1. Hotai Group's environmental improvement program began with our dealers, service workshops and logistic centers of Chang Yuan Motor Co., Ltd. and Toyota Material Handling Taiwan Ltd., and gradually implemented throughout various of stakeholders and independent suppliers. 2. The environmental protection programs began with smaller scale environmental improvement and energy saving activities. Through the better understanding of the current operational process of our service workshops, we could identify sources of waste and pollutants, and achieve effective waste control and resources usage. 3. In order to plan and promote future trends, we familiarize ourselves with environmental protection regulations, review the implementation of environmental protection equipment and facilities, promote environmental awareness, and develop environmental management professionals. 4. In 2000, our Environmental Management Committee joined Toyota Global Environmental Action Plan and began a series of environmental protection programs and activities. Hotai and its dealers established their own Office of Environmental Affairs which are in charge of environmental protection affairs and regularly host environmental management meetings. The environmental protection policies developed by the Committee as follows: (1) Support environmental policy of the government and promote environmental improvement activities (2) Improve pollution prevention facilities and reduce industrial waste (3) Recycle and reuse resources to minimize environmental impact (4) Enhance environmental awareness of our	Compliant

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			employees and implement environmental management. 5. We have participated in Toyota Global Environment Month since 1996 to increase environmental awareness of our employees. We implement Environment Month activities, including site visits, seminars, short films and DIY programs. Since 2009 our dealers have also implemented Environment Month by themselves. In addition, dealers annually hold a variety of environmental protection programs, including gardening, tree planting, streets & mountain sweeping, donation of profits from flea markets to charities, incorporation of environmental protection issues into experience camps for car owners, organic vegetable planting, and removal of alien vegetation. 6. Sustaining the theme of Environment Month, "Community Mobilization and Engagement for Environmental Protection", we gathered eight communities last year to participate in the local environmental improvement program, "Connecting Communities and Embracing a Green Future". Over the last three years, we have cooperated with 22 communities and over 4,600 residents to improve their own communities and create a better living environment.	
(3) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inventories, as well as establish company strategies for energy conservation and carbon reduction?	V		1. We follow the environmental policy of TMC by continuously promoting mid to long-term environmental action plans (2016-2021). The main challenges are as follows: (1) Zero CO2 emissions challenge (2) Establish a low carbon society (3) Promote TOYOTA environmental action plan (4) Strengthen environmental management 2. We control and manage environmental risks resulted from our business operations, set up the target of greenhouse gas reduction, and actively promote energy saving and carbon reduction. 3. Our offices and classrooms in Xinzhuang are equipped with inverter air conditioners. In order to conserve energy, lightning equipment were replaced with LED fluorescent tubes in 2012 by General Administrative Division. 4. We have promoted greenhouse gas inventory and reduction since 2008, which has also implemented by our dealers since 2009. In 2016, the greenhouse gas emission of our dealers reduced by 5.80% (compared to 2008), total reduction of 2,456.3 tons. In order to achieve reduction target, Hotai and our dealers continuously strengthen energy management, replace energy consuming equipment, and implement fuel management systems for cars.	Compliant
3. Promotion of Social Welfare				
(1) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		1. <i>Employee Retention</i>. We strengthen employee retention by offering career development opportunities, promoting work-life balance, and developing leadership skills. The average turnover rate in the past three years is below 10%. 2. <i>Performance Management and Development</i>. The purpose of our performance management and	Compliant

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			development system is to integrate and increase individual and the performance of the organization. The principles include the following: each employee shall be responsible for its individual performance, department heads and subordinates shall work together and constantly interact and communicate with one another, and performance and development shall be equally important. 3. <i>Employee Development</i>. The cornerstone of Hotai's employee development is continuously educating and learning. Our ongoing efforts in talent development enable us to strengthen Hotai's competitiveness. 4. <i>New Employee Training</i>. In order to equip new employees with a comprehensive understanding of their job duties, colleagues, objectives and future development, we provide onboarding training, mentoring program, and department orientation. 5. <i>KSAOs (Knowledge, Skills, Abilities, and other Characteristics) Training</i>. Provide KSAOs training to employees according to their job grades. 6. <i>Training of Department Heads</i>. We provide management skills training to department heads in accordance with their functions and equip them with the abilities to become future leaders. 7. <i>Diversified Development and Learning Channels</i>. The majority of the employees are able to access a wide selection of learning resources through various channels, including on-job-development training, job rotation, external training and seminars. 8. <i>Defined Benefit Pension Plan</i>. The employee retirement regulations formulated pursuant to the <i>Labor Standards Act</i> is categorized as a defined benefit pension plan. 9. <i>Defined Contribution Pension Plan</i>. The employee retirement regulations formulated pursuant to the <i>Labor Pension Act</i> is categorized as a defined contribution pension plan. 10. We have adopted the <i>Guide on Workplace Sexual Harassment Prevention</i> pursuant to the <i>Act of Gender Equality in Employment</i> and <i>Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace</i> promulgated according to Article 13, Paragraph 3 of the same Act; our group companies also implement relevant measures according to the <i>Guide on Workplace Sexual Harassment Prevention</i>.	
(2) Has the Company set up appropriately managed employee appeal procedures?	V		We have an employee suggestion box on our intranet for employees to voice their opinions, and designated a person to be responsible for receiving and responding emails every day.	Compliant

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(3) Does the Company provide a safe and healthy working environment and offer regular training on workplace health and safety for employees?	V		1. Our Office of Occupational Safety and Health (the "Office") has been established to prevent occupational diseases and injuries, ensure workplace safety and health and employee well-being. The Office is responsible for managing and improving the working environment and promoting health activities. Senior management shall set an example for our employees by actively and regularly attending meetings of the Occupational Safety and Health Committee and oversee the implementation of relevant matters. 2. To maintain workplace safety and health, the Office routinely inspects the working environment in each service workshop accompanied by physicians specialized in occupational medicine in order to identify potential hazards and make improvements, and subsequently revisits to ensure workplace safety. 3. We have assigned personnel to regularly inspect the machinery and equipment commonly used in our operations to ensure proper function. Personal protective gears (e.g., helmets, safety shoes) are also provided to operators to ensure their safety. 4. As the Company uses central air conditioning, we have appointed SGS Taiwan to routinely conduct indoor air quality assessment to ensure that the air quality is in compliance with local regulations. 5. New employees are required to receive occupational health and safety training regarding the working environment and hazards prevention during their orientations, which is aimed to help employees understand the potential hazards in the workplace. We also provide workplace health and safety trainings to current employees on a regular basis to enhance their health and safety awareness. 6. We regularly hold emergency drills to familiarize our employees with the standard procedures in case of emergency to mitigate personal injuries and property damages. 7. Each year, we offer health checkups to our employees. The packages we provide are tailored to the health condition, age, gender of our employees and based on other common health problems of Taiwanese people published by the authorities. 8. We also design activities and talks that are aimed to promote employees' physical and mental health based on their health checkup results, nature of duties and other factors. We've taken these steps to help improve the overall health of our employees.	Compliant
(4) Has the Company set up mechanisms that promote regularly communication with its employees and allow the employees to be reasonably informed of any significant changes in operations that may have a material impact on them?	V		1. We hold labor-management meetings quarterly as a way to establish regular communication mechanisms between the Company and our employees. 2. The Hotai Newsletter issued bi-monthly allows employees to have access to the latest update of our business operations and important events. 3. We have also set up an employee suggestion box to receive comments and concerns from our employees.	Compliant
(5) Does the Company provide effective career development trainings for its employees?	V		Every year, we set up our annual education and training programs that include career development courses designed for various job functions, professional and	Compliant

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			career skills. Our Career Development Center also regularly performs evaluation on employee job functions.	
(6) Has the Company established a consumer protection policy and appeal procedures regarding its R&D, purchasing, production, operation and service?	V		1. Consumer protection policy: Our commitment in servicing customers is reflected in the following principles: "Putting the Customer First." In recent years, we launched the "Only For You" campaign, continuously requiring our top 8 dealers to listen to the opinions of customers and provide customer services to ensure the rights of consumers. 2. We provide a transparent and effective consumer appeals process for products and services sold: (1) Customer Service Team We value the opinions of our customers. In order to provide a proper channel for customer feedbacks and responses, we established a 0800 customer service line in 1990 and had our top 8 dealers implemented the same since 1991 to provide multiple channels for customer service. Since January 2000, we cancelled all of the 0800 customer service lines of our top 8 dealers. Customer inquiries and complaints are now directed to our Customer Service Center for the purpose of enhancing convenience and consistency of customer service quality. (2) Each dealer also has a Customer Care Department dedicated to assisting and promoting customer satisfaction activities. (3) In order to provide quicker and more convenient services, we were the first in the industry to develop a professional customer service information system, an interactive platform between Hotai and its dealers which enable us to provide real-time customer service by tracking complaints and feedbacks and to ensure the rights of customers. (4) In July 2016, we became the first automaker to be ISO 10002 certified in customer satisfaction and complaints handling. 3. Consumer appeal procedures: (1) The Customer Service Center receives and handles customer inquiries and complaints from the 0800 customer service line, e-mails, letters, surveys, City Driver app, etc. (2) A customer service representative shall record customers' inquiries on the service system and notify the service site involved. The dealer is required to contact the customer within 1.5 hours to provide necessary assistance. (3) A dealer shall complete processing a case within 1.5 or 5 business days and put it on record (1.5 business days for processing inquiries and 5 business days for complaints). The case can only be seen as closed after it's been reviewed and confirmed by Client Service Center. (4) If the customer directly submits the complaint to a local government Consumer Protection Officer or Consumer Protection Organization, the customer representative of our dealer shall attend the	Compliant

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			dispute resolution held by the government and offer solution in order to resolve the issues amicably.	
(7) Does the Company advertise and label its products and services in compliance with relevant regulations and international standards?	V		1. All models of gasoline vehicles introduced (TOYOTA and LEXUS) are consistent with the Tier 5 Emission Standards for Gasoline Vehicles announced by the Environment Protection Administration. 2. All diesel vehicles introduced (DYNA, COASTER and HINO) are consistent with the Tier 5 Emission Standards for Diesel Vehicles announced by the Environment Protection Administration. 3. In response to trend of energy saving and carbon reduction, we have imported hybrid vehicles equipped with advanced green technology from Japan since 2006. In 2012, we introduced the hybrid technology in Taiwan and debuted our first domestically made hybrid vehicle, CAMRY-HV. Currently, we have 13 different models of hybrid vehicles, including TOYOTA PRIUS, PRIUS c, PRIUS α, RAV4 and LEXUS RX450h, LS600hL, GS450h, GS300h, IS300h, ES300h, CT200h, NX300h, RC300h, and one domestically made model, TOYOTA CAMRY-HV, offering drivers a more fuel-efficient and comfortable driving experience. 4. Currently, we have 17 models and 44 type of vehicles that have received the green marks from the Environment Protection Administration: TOYOTA YARIS, VIOS, ALTIS, WISH, CAMRY, CAMRY-HV, SIENTA, RAV4, and LEXUS IS250, IS300h, GS300h, GS450h, ES300h, CT200h, RX450h, NX300h, NX200t, and ES200, providing the public with the most eco-friendly products. 5. We also have 15 models and 39 type of vehicles that have received the energy efficiency labels from the Ministry of Economic Affairs: TOYOTA YARIS, VIOS, ALTIS, WISH, CAMRY, CAMRY-HV, SIENTA, RAV4, PRIUS, PRIUS c, 86, and LEXUS RX450h, NX300h, NX200t, and ES200, achieving energy saving and carbon reduction with excellent fuel efficiency.	Compliant
(8) Does the Company evaluate the records of suppliers' impact on the environment and society before entering into business partnerships?	V		Our main supplier is TMC, whose business scope is developing and manufacturing vehicles. TMC not only proactively invests in the R&D of active and passive safety features but also endeavors to develop eco-friendly vehicles. TMC's social contribution activities focus on "Environment", "Traffic Safety" and "Education"; its objective is to become a respected and trustworthy company, and ensure that all of its employees understand and fulfill their corporate social responsibilities. TMC and its partners follow the above guidelines in transacting business, comply with local, national and international laws and social standards, and conduct business operations with honesty and integrity, thereby promoting harmonious development of the society.	Compliant
(9) Do the contracts between the Company and its major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	V		The Company and its main supplier, TMC, agree on the adherence of local, national and international laws and social standards. Both parties will fulfill their corporate social responsibilities and strengthen the Toyota brand image.	Compliant

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	Y	N	Summary	
4. Enhance Information Disclosure (1) Has the Company disclosed relevant and reliable information regarding its corporate social responsibility practices on its website and the Market Observation Post System (MOPS)?	V		Relevant information is disclosed in the “Corporate Social Responsibility” section on our corporate website (www.hotaimotor.com.tw).	Compliant
5. If the Company has established the corporate social responsibility principles based on the <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</i> , please describe any deviation between the Principles and its practices: Hotai’s corporate social responsibility practices follow the Principles, and there’s no deviation.				
6. Other important information to facilitate a better understanding of the Company’s corporate social responsibility practices: Since the Company was founded, we have been engaging in activities that benefit the public interest based on the concept of “Giving Back to the Community”. For over decades, we actively host and sponsor various public welfare activities. Not only do we work in the public interest issue areas of transportation, environmental protection, and other industry specific issues, we also endeavor to reach out to the underprivileged in recent years, thereby fulfilling our social responsibility as corporate citizen and giving back to the community. Our corporate social responsibility activities are widely recognized and commended by the general public. The Company’s public welfare programs are as follows:				
Caring for the Underprivileged				
1. “Hotai Love Start” Charity Fundraising Platform We have been investing in public welfare activities such as reaching out to the underprivileged, sponsoring underprivileged children, the disabled community, and blood drives for many years now. In 2016, we extended our public welfare involvement to the elderly and the impaired. By incorporating group resources, we launched the “Hotai Love Start” charity fundraising platform with the slogan, “You Give. We Give.”, which is aimed to encourage car owners and the general public to give. This platform was very well received and we were able to raise a total of NT\$20 million from donors and Hotai combined in 2016. The funds raised were donated to the Children Welfare League Foundation, Children Are Us Foundation, Eden Social Welfare Foundation, Sunshine Social Welfare Foundation, and Taiwan Blood Services Foundation to help the underprivileged improve their quality of life.				
2. Donate Hotai Bus, a Full Size Mobile Blood Bus; Sponsor “Hotai National Blood Donor Month” In 1977, Hotai donated its first full size mobile blood bus in Taiwan, <i>Jen-I Bus</i> , to provide the most convenient and comfortable environment for blood donors. We have been donating full size mobile blood bus to all blood donation centers under the Taiwan Blood Services Foundation every year since 2011. As of 2016, Hotai has donated 8 mobile blood bus (including <i>Jen-I Bus</i>). The Company also appeals to its affiliates, dealers, and blood donation centers nationwide to sponsor “Hotai National Blood Donor Month” in their local communities to encourage people to donate blood. Since 2011, our sponsored blood drives have had participation of over 15,000 people and over 8 million c.c. of blood was given to help patients regain their health.				
Road Safety				
1. Donate Crossing Guard Equipment Hotai has operated in the transportation business for over 60 years, and it has been promoting road traffic safety since 1947. To strengthen visibility of school zone crossing guards for safety purpose, we have been donating crossing guard equipment to public elementary schools since 2011. We completed our first round of donation throughout Taiwan in 2015 and began the second round of donation in 2016. So far, we have given a total of 52,000 sets crossing guard equipment, which continue to help maintain road safety for millions of elementary school students in Taiwan.				
2. Sponsor “Road Safety Storytelling Tour” Hotai sponsors a storytelling tour in Taiwan that promotes a correct view of road safety to elementary school students, e.g., seatbelts shall be fastened for passengers in the back seat, no use of cellphones while driving, and no drinking before driving. This program has been run for more than ten years. As of 2016, we have held 929 sessions of storytelling and 200,000 students benefited from it.				
3. Sponsor “Hotai National Road Safety Children’s Drawing Contest” To promote road safety, Hotai and Chun Ching Social Welfare Foundation have been jointly sponsoring the National Road Safety Children’s Drawing Contest since 2001. Every year, we take “Road Safety”, an issue area concerns all citizens, as the theme for the contest. It is our hope that through drawing, “Road Safety” will be instilled in children’s minds and be put into practice in their everyday life, creating a positive impact on the society. We have been sponsoring the contest for 16 years, and over 750,000 children participated.				

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	Y	N	Summary	
Environmental Initiatives				
1. TOYOTA Environment Month				
In 2013, Hotai started the Toyota Environment Month initiative. Under the initiative, we have been working with our top 8 dealers on projects in numerous communities throughout Taiwan to build an eco-friendly environment. Each year, we allocate a budget to support and gather Toyota volunteers to participate in the projects. In 2016, over 2,000 people participated. By working with the locals, we continue to promote environmental sustainability through actions in hope that more green communities may be nurtured in Taiwan.				
2. TOYOTA Toy Story Campaign				
In 2016, we launched a joint program with Taiwan Toy Library Association to invite the general public to join on toy recycling and regeneration. Toys that have been recycled or regenerated through the program would be distributed to remote areas in Taiwan to help children whose families cannot afford new toys. The program not only promotes environmental awareness, but also gives new meanings to one child’s beloved toys by creating happy memories for another child. There were 36 tons of toys recycled through the program in 2016, which was equal to the carbon absorption of two Daan Forest Parks in one year. Over 10,000 people participated in this campaign.				
Education and Art				
1. Donate High-tech Educational Materials from TMC				
Hotai has introduced the Toyota Technical Education Program, T-TEP, in Taiwan to assist technical and vocational schools to develop students specializing in automotive repair and maintenance since 1991. We have also cooperated with many technical and vocational schools and donated various Toyota high-tech teaching devices and materials for the teachers and students to practice on. The accumulated value of the teaching materials and vehicles donated for practice is now over NT\$ 24.94 million, which evidences our emphasis on and long-term investment in developing a new generation of skilled automotive technicians.				
2. TOYOTA Dream Car Art Drawing Contest				
Hotai cares about the development of art and creativity in children. In 2016, we sponsored the 10 th Toyota Dream Car Art Contest global creative drawing contest; over 310,000 artworks have been submitted since the first contest in 2004. The Toyota Dream Car Contest is by far the only children’s drawing contest in Taiwan that is held on a global scale. With the “Dream Car” theme, we invite and inspire children’s imaginations to create their unique dream cars. We hope to instill the knowledge of environmental protection and road safety in children’s minds and provide a better and safer environment for the next generation.				
3. TOYOTA Sponsors BOTY, the International B-Boying Competition, Taiwan Qualifying Round				
BOTY (Battle of the Year, the World Cup of B-Boying) is the most historical, significant and authoritative international street dance competition, which could be regarded as the Olympics of street dance. Through the competition, Toyota provided a performance stage for the young generation to express themselves and promoted the recognition of Taiwan internationally. In 2016, Taoyuan City Top Coalition, representing Taiwan, received the sixth place in the world finals held in Germany.				
4. LEXUS Short Films				
To develop the interdisciplinary talents on campus and implement corporate social responsibility, we have been holding campus campaign under the Lexus brand since 2006. These competitions provide an opportunity for the students to express their creativity and imagination, and encourage young adults to boldly pursue their dreams as well as attain self-realization. The theme for the 2016 Lexus Film Awards Festival was “A Better Tomorrow”; we received 923 submissions from colleges and universities around Taiwan competing for the NT\$0.5 million award prize. Director of the Gold Award winner was offered a spot at the Golden Horse Film Academy.				
5. LEXUS Classics				
Lexus dealers and Hotai have long invested in music and cultural events to provide Lexus owners with higher quality and more diverse performances. In 2016, we invited the world renowned NHK Symphony Orchestra, the first professional symphony orchestra in Japan. Not only is NHK Symphony Orchestra one of the leading orchestras in Asia, it is also highly regarded in the world. We continue our efforts in promoting art and culture in Taiwan by inviting international performing groups and sponsoring relevant events, which have enabled us to obtain the trust and loyalty of art enthusiast in Taiwan.				
6. LEXUS DESIGN AWARD				
LEXUS DESIGN AWARD is an international design competition which encourages all innovative designers to participate in a global event and provides an opportunity for new talents to work with globally recognized top designers. The theme for the 2016 Lexus Design Award was “YET”. There were a total of 219 submissions from Taiwan, being the highest in number among all countries.				
Disaster Relief				
Donation to Southern Taiwan Earthquake Relief				
In the early morning on February 6, 2016, a magnitude-6.4 earthquake struck southern Taiwan, leaving numerous buildings collapsed and causing hundreds of deaths and damage. Hotai and Kuozui Group sympathized with the victims greatly and donated NT\$10 million on behalf of all the members of the Group and dealers to the Tainan City Government’s 0206 Earthquake Relief Account to aid the victims overcome the difficulties and rebuild their homes.				

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Hotai's Affiliated Company, Hotai Development Co., Ltd ("Hotai Development") recognizes the importance of giving back to the society, and has long been making social contributions, fulfilling its corporate responsibility, and actively engaging in various activities that benefit public interests. Their public welfare programs in 2016 are as follows:				
1. In the early morning of February 6, 2016, Meinong Earthquake struck Kaohsiung, leaving numerous buildings and houses in Tainan City collapsed and causing serious injuries, deaths and damages. In response to the incident, chairman Su, Yi-Chung, took the initiative and led Hotai Development and all the employees in donating NT\$3 million to the earthquake relief. We greatly sympathize with those that are affected by the earthquake, and it is our hope that the donation will help the victims overcome the difficulties as they rebuild their homes. 2. Over the last few decades, the pursuit of economic growth by mankind has resulted in environmental degradation, such as pollution and climate change among other environmental issues, posing threats to the survival and development of humanity. To cope with the impact of pollution and climate change, we began working with the Institute of Environment and Resources in 2016 to draft the "Environmental Sustainability Assessment Plan for Cities and Counties in Taiwan". The plan incorporates some credible global sustainability rating systems and indicators into the "Hotai-Daikin Sustainability Indicators for Cities and Counties in Taiwan", which will be used to measure sustainability of 22 counties/cities nationwide. Results of the assessment will be published by the media in 2017 to aid city and county governments to examine their respective performance in the area of environmental sustainability. 3. On Hotai Development's Family Day in 2016, the company not only encouraged employee identification with the Group, but also carried out their commitments on giving to social welfare and charitable organizations. Last year, Hotai Development cancelled its year-end banquet and used the budget for donation to Taiwan Fund for Children and Families and Taitung Zhiben Junior High School ("Zhiben Junior High"). In addition to offering aboriginal cultural exchange scholarships to the students of Zhiben Junior High, Hotai Development also provided allowance for the students to attend and perform at a cultural exchange in Japan. The importance of acting for the benefits of the society was not overlooked even on Hotai Development's Family Day. 4. In October 2016, Daikin hosted the Asia-Pacific Region Air Quality Expert Conference in Taiwan and compiled the experiences and measures from different countries on how to improve air quality. This year, Daikin introduces the concept of "Air Quality Concerns Investigation Team" developed by Daikin Japan, gathering specialists in the areas of construction materials, chemistry, air-conditioning and inspection from Hotai Environmental Sustainability Foundation and Taiwan Indoor Environment Quality Management Association (TIEQM) to form the "Indoor Air Quality (IAQ) Health Watch". The IAQ Health Watch will provide indoor air quality testing free of charge to organizations that are in need of the service (public places that have been published by the authority will take priority), and deliver a professional report on testing results and improvement measures for the organizations to consider; thereby taking actions in guarding the health of the people of Taiwan and achieving better air quality. 5. In 2016, Hotai Development donated air conditioning equipment to public welfare organizations so as to facilitate a better and more comfortable operating environment. The recipients include Children Are Us Foundation, Yunlin Yixin Orphanage, the Garden of Hope Foundation, Judicial Reform Foundation, Hualien Mennonite New Dawn Home, Kaohsiung Shoushan Zoo, Taiwan Citizen Participation Association, and Taiwan Jury Association. 6. Hotai Environmental Protection and Public Welfare Foundation established by Hotai Development offers scholarships to Refrigerating and Air Conditioning related departments at colleges, universities and technical and vocational schools nationwide. Hotai Development continuously promotes and implements technical and vocational education and trainings in respect of the air conditioning profession.				
7. Please provide a brief description below where the corporate social responsibility reports of the Company have been assessed by an independent verification and assurance provider: 1. The 2012 Corporate Social Responsibility Report was certificated by the British Standards Institution (BSI) for adherence to the AA1000 standards in June 2013. 2. The 2015 Corporate Social Responsibility Report was certificated by the British Standards Institution (BSI) for adherence to the AA1000 standards in June 2016. 3. Hotai will appoint the British Standards Institution (BSI) to review our 2016 Social Responsibility Report for adherence to the AA1000 standards in May 2017.				

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(6) Ethical Corporate Management and Implementation

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
1. Establish ethical corporate management policies and programs				
(1) Has the Company stipulated its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board of directors to implement the policies?	V		Our <i>Anti-Corruption Ethnical Management Principles</i> was adopted and approved by the Board of Directors in March 2014, which stipulate the prohibition of corruption, types of benefits, ethical business practices, prohibition of illegal political contributions and unlawful donation or sponsorship, effective accounting and internal control systems, regular trainings and campaigns, and establishment of appropriate appeals and disciplinary mechanisms.	Compliant
(2) Has the Company established policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeals, and the commitment to implement the policies?	V		We have adopted <i>Workplace Rules</i> which prohibit employees from using their positions for personal gains, or accepting hospitality, gifts, kickbacks, or misappropriating public funds, or other unlawful interests, thereby preventing the impact of unethical behaviors on business relationships or transactions.	
(3) Has the Company established appropriate precautions against high-potential unethical conducts or activities listed in Article 2, Paragraph 7 of the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> ?	V		Our <i>Employee Code of Conduct</i> and other guidelines stipulate that employees shall perform duties with integrity and comply with the law and social moral principles. The employees shall not engage in any unethical business practices such as infringement of intellectual property and unfair competition. We also promote business ethics during orientation for new employees and require them to sign an <i>Employee Statement of Compliance</i> .	
2. Ethical corporate management practices				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		Our business contracts contain clauses stipulating ethical conducts to ensure compliance of our business partners.	Compliant
(2) Has the Company established a business unit exclusively or concurrently dedicated to business ethics and integrity and supervised by the Board?	V		Our External Affairs and Legal Division is responsible for promoting compliance of business ethics to avoid violation of ethical corporate management or unlawful conduct by the employees. Our Auditing Division under the Board of Directors will regularly and from time to time inspect our accounting and internal control systems. Any violation discovered will be recorded in the audit report and submitted to the Board of Directors.	

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	Y	N	Summary	
(3) Has the Company established policies to prevent conflicts of interest, provided and implemented appropriate communication channels?	V		<i>The Rules and Procedures of Board Meetings</i> set forth director recusals in case of conflicts of interest, and the <i>Employee Code of Conduct</i> stipulates that employees shall not use their position to achieve personal gains or benefit others, or have any conflicts of interest. <i>The Code of Conduct and Ethics for Representatives of Affiliates</i> also provides rules preventing conflicts of interest.	
(4) Has the Company established effective accounting and internal control systems to facilitate ethical corporate management? If so, are they audited by either internal auditors or certified public accountants on a regular basis?	V		1. Unless otherwise specified in the laws or regulations, our accounting practices are conducted according to our accounting system. We ensure that all operating activities are preceded in compliance with strict operation standards by implementing relevant accounting system operating procedures so as to achieve checks and balances between each operation and prevent corruptions. 2. Our internal control system takes into account the operating activities. The internal auditors conduct auditing in accordance with the audit plan and may request each department to produce relevant documents, accounts, certificates, etc. The auditor may create a project for a specific audit if necessary, and prepare an audit report and submit to the Board of Directors along with relevant documents in order to ensure that the day-to-day operation is consistent with our ethical management principles.	
(5) Does the Company regularly hold internal and external educational trainings on ethical business management?	V		We regularly provide trainings and promote campaigns to our employees to help them better understand our commitment and policy on ethical corporate management.	
3. Operation of the integrity channel				
(1) Has the Company established a reward/punishment system and an integrity hotline? Can the employee with alleged violations be reached by an appropriate contact person for follow-up?	V		1. We are able to effectively prevent unethical conduct and facilitate a sustainable business by following the <i>Anti-Corruption Ethnical Management Principles</i> and improving internal regulations and risk management mechanisms. 2. According to the <i>Anti-Corruption Ethnical Management Principles</i> , an employee shall report concerns to the Auditing Division via mail or e-mail stating his or her real name and address to the Chief of Auditing Division in case of discovery of any unlawful conduct.	Compliant
(2) Has the Company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	V		We have adopted standard procedures such as <i>Procedures for Reporting Bribery and Corruption</i> and <i>Grievance System</i> for the processing of reported cases investigations.	
(3) Does the Company provide proper whistleblower protection?	V		Our <i>Anti-Corruption Ethnical Management Principles</i> provides that the Auditing Division shall maintain the anonymity of the whistleblower to prevent reprisals.	

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
4. Enhancing information disclosure (1) Has the Company disclosed its ethical corporate management policies and results of implementation on the Company's website and the Market Observation Post System?	V		We have disclosed our ethical corporate management practices and implementation on our corporate website (www.hotaimotor.com.tw) and in the annual report.	Compliant
5. If the Company has established the ethical corporate management policies based on the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> , please describe any discrepancy between the policies and its practices: The Board of Director approved the <i>Anti-Corruption Ethnical Management Principles</i> on March 25, 2014, a guideline for implementing ethnical corporate management. In June 2016, the Company amended the <i>Anti-Corruption Ethnical Management Principles</i> based on the amendments of the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and the Company's Articles of Incorporation to properly reflect the Company's current status and comply with corporate governance practices. There is no significant difference between our <i>Anti-Corruption Ethnical Management Principle</i> and the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> .				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., if the Company has reviewed its policies): We have always upheld the highest standards of governance by actively promoting operating transparency and requesting business partners (including dealers and suppliers) to make available policies in respect of business ethics on the home page of their websites in order to maintain our business reputation. Through our long-term business relationships, we have a consensus to work together to achieve corporate sustainability in the value chain.				

(7) Corporate Governance Guidance and Regulations

1. Corporate governance regulations: according to the regulations promulgated by the FSC and TWSE, the Company adopted the following regulations:

- (1) Articles of Incorporation
- (2) Procedures for Acquisition and Disposition of Assets
- (3) Procedures for Engaging in Derivative Products Transaction
- (4) Anti-Corruption Ethnical Management Principles
- (5) Operating Procedures for Fund Lending
- (6) Procedures for Providing Endorsement and Guarantee of Obligations
- (7) Rules and Procedures of Board Meetings
- (8) Rules and Procedures of Shareholders' Meetings
- (9) Corporate Social Responsibility Principles
- (10) Corporate Governance Best Practice Principles
- (11) Procedures for Processing Material Nonpublic Information
- (12) Procedures for Suspending and Resuming Transactions
- (13) Audit Committee Charter
- (14) Remuneration Committee Charter

2. Websites

- (1) Our corporate website (<http://www.hotaimotor.com.tw/>): "Articles of Incorporation and other Corporate Governance Regulations" under "Investor Relations"
- (2) The Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>)

(8) Other important information to facilitate better understanding of the Company's corporate governance practices: None.

III. Corporate Governance

(9) Status of Internal Control

1. Internal Control Statement:

Hotai Motor Co., Ltd.
Statement of Internal Control

Based on an evaluation of our internal control system as of December 31, 2016, we hereby state that:

1. The board and management of Hotai Motor Co., Ltd. (the “Company”) are responsible for establishing, implementing, and maintaining adequate internal control over financial reporting. The Company has established an effective internal control system which aims to provide reasonable assurance regarding operational results and effectiveness (e.g., profitability, performance, safeguarding of assets), reliability, timeliness and transparency of its financial reporting, and compliance with applicable laws and regulations.
2. Due to its inherent limitations, internal control over financial reporting can only provide reasonable assurance on the achievement of the three objectives above. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in environment or conditions. However, the internal control system of the Company has a self-monitoring mechanism which allows the Company to take corrective actions as soon as any inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system based on the criteria established in the Framework for the Establishment of Internal Control System by Public Companies (the “Framework”). The Framework defines internal control as a process effected by management, consisting of five components: a) Control environment, b) Risk assessment, c) Control activities, d) Information and communication, and e) Monitoring, each comprising of several elements. For more information, please refer to the Framework.
4. We have reviewed the design and operating effectiveness of the Company’s internal control system based on the criteria established in the Framework.
5. Based on the evaluation, we conclude that the Company maintained an effective design and operation of its internal control system (including oversight and management of subsidiaries) as of December 31, 2016, providing reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations, reliability, timeliness and transparency of financial reporting, and compliance with applicable laws and regulations.
6. This statement shall be included as part of the Annual Report and future prospectus of the Company and disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. This statement was unanimously approved by the board of directors on March 28, 2017, with 13 directors present at the meeting.

Hotai Motor Co., Ltd.

March 28, 2017

2. A separate audit report shall be included where an independent registered public accounting firm has reviewed the Company’s internal control system: Not applicable.

III. Corporate Governance

(10) Sanctions imposed on the Company or its personnel pursuant to the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the latest fiscal year and as of the date of this Annual Report, as well as details of the sanctions and/or violations and subsequent improvements: Not applicable.

(11) Major Resolutions of the Shareholders' Meeting and Board Meetings

1. Major Resolutions of the 2016 Annual General Meeting of the Shareholders

Date	Ratification and Discussion	Implementation Status
June 21, 2016	Ratification of the FY2015 Financial Statements of the Company	–
	Ratification of the proposed FY2015 profit distribution plan	Cash dividends declared and paid at NT\$12 per share. Ex-dividend date: July 24, 2016 Payment date: August 10, 2016
	Amendments to the Articles of Incorporation	The amended Articles have been filed and approved by the Ministry of Economic Affairs on July 20, 2016 and made available on the Company website.
	Re-election of directors of the Company	The term of newly elected directors (19 th Board) began on June 21, 2016 and will end on June 20, 2019.
	Proposal to release directors from participation in competition business	–

2. Major Resolutions of the 2016 Extraordinary General Meeting of the Shareholders

Date	Discussion	Implementation Status
December 29, 2016	Proposal to invest in Zurich Insurance (Taiwan) Ltd. through a wholly owned subsidiary and legal compliance	Processed according to the resolution by the Extraordinary General Meeting of the Shareholders
	Amendments to the Procedures for Acquisition and Disposition of Assets	Processed according to the amended provisions
	Amendments to the Procedures for Engaging in Derivative Products Transaction	Processed according to the amended provisions
	Amendments to the Operating Procedures for Fund Lending	Processed according to the amended provisions
	Amendments to the Procedures for Providing Endorsement and Guarantee of Obligations	Processed according to the amended provisions

3. Major Resolutions of the Board Meetings in 2016 and as of the Date of the Annual Report

Date	Session and Term	Discussion and Approval
January 28, 2016	20 th Meeting of the 18 th Board	1. The Company's FY2016 bank credit limit application 2. Change of external auditor of the Company 3. The Company's decision to exercise or waive preemptive rights in the capital increase of Ho Tai Development Co., Ltd.
March 28, 2016	21 st Meeting of the 18 th Board	1. FY2015 Business Report and Financial Statements of the Company 2. Renewal of HINO distribution agreement 3. Amendments to the Rules for Management and Operations of Group Companies 4. Renovation of the office space of TOYOTA Vehicles Operations Group located on the 10 th floor of the Company headquarters 5. FY2015 director, supervisor, and employee remuneration approved by the Remuneration Committee 6. Re-election of directors 7. Nomination of director candidates 8. Proposal to convene the 2016 Annual General Meeting of the Shareholders

III. Corporate Governance

Date	Session and Term	Discussion and Approval
May 10, 2016	22 nd Meeting of the 18 th Board	1. Maximum amount of endorsement and guarantee of obligations for affiliates in China in May 2016 2. FY2015 profit distribution plan 3. Proposal to authorize the chairman to approve and participate in the share equity auction 4. FY2015 performance bonus and dividends paid to the executive officers approved by the Remuneration Committee 5. Review of the qualifications of the 19th Board of Director candidates 6. Proposal to release directors from participation in a competing business 7. Amendments to the Articles of Incorporation of the Company 8. Adoption of the Audit Committee Charter
June 17, 2016	23 rd Meeting of the 18 th Board	1. Acquisition of the shares of Zurich Insurance (Taiwan) Ltd. through the Company's wholly owned subsidiary 2. Proposal to participate in the capital increase in cash of Ho-Jan Investment Co., Ltd. 3. Amount of endorsement and guarantee provided due to acquisition of the shares of Zurich Insurance (Taiwan) Ltd. through the Company's investment in its wholly owned subsidiary, Ho-Jan Investment Co., Ltd.
June 21, 2016	1 st Meeting of the 19 th Board	1. Re-election of chairman of the Board 2. Grant of retirement bonus to directors and supervisors who served on the 18th Board
June 29, 2016	2 nd Meeting of the 19 th Board	1. Appointment of members of the Remuneration Committee 2. Amendments to the Remuneration Committee Charter 3. Amendments to the Rules and Procedures of Board Meetings 4. Organizational and personnel changes of the Company 5. Employee job grade promotion 6. Appointment of chief internal audit officer 7. Appointment of chief advisor 8. Appointment of outside advisor 9. Revisions to the Company's operating budget for 3Q and 4Q of FY2016 10. Amendments to the internal control system
August 11, 2016	3 rd Meeting of the 19 th Board	1. FY2016 executive officer compensation review 2. Amendments to the Director and Supervisor Retirement Bonus Policy 3. Appointment of outside advisor
September 29, 2016	4 th Meeting of the 19 th Board	1. Amendments to the Rules for Appointment of Advisors 2. Appointment of executive advisor 3. Proposal to categorize the Company's chief Internal Audit Officer as an insider
November 10, 2016	5 th Meeting of the 19 th Board	1. Amendments to the internal control system 2. FY2017 Annual Audit Plan 3. Amendments to the memorandum pertaining the Toyota/Lexus Distribution Agreement 4. The Company's indirect investment in Zurich Insurance (Taiwan) Ltd. and legal compliance 5. Amendments to the Procedures for Acquisition and Disposition of Assets 6. Amendments to the Procedures for Engaging in Derivative Products Transaction 7. Amendments to the Operating Procedures for Fund Lending 8. Amendments to the Procedures for Providing Endorsements and Guarantees of Obligations 9. Proposal to convene the 2016 Extraordinary General Meeting of the Shareholders

III. Corporate Governance

Date	Session and Term	Discussion and Approval
December 29, 2016	6 th Meeting of the 19 th Board	1. Adoption of the Company's Rules for Board Performance Evaluation 2. Amendments to the Company's Corporate Governance Best Practice Principles 3. Organizational and personnel changes of the Company 4. Amendments to the Bylaws/organizational documents of the Company 5. The Company's FY2017 annual operating budget 6. Assessment of the independence of the Company's external auditor 7. Proposal to participate in the capital increase in cash of Heng Yun Investment Co., Ltd. through the Company's wholly owned subsidiary 8. Sale of shares of Best Denki Ltd.
January 24, 2017	7 th Meeting of the 19 th Board	1. The Company's FY2017 bank credit limit application
March 28, 2017	8 th Meeting of the 19 th Board	1. Statement of Internal Control 2. FY2016 Business Report and Financial Statements of the Company 3. Review of audit fees for the engagement of PricewaterhouseCoopers Taiwan to provide services in FY2017 4. FY2016 profit distribution plan 5. FY2016 director remuneration approved by the Remuneration Committee 6. FY2016 employee remuneration approved by the Remuneration Committee 7. Proposal to convene the Company's 2016 Annual General Meeting of Shareholders 8. Amendments to the Procedures for Acquisition and Disposition of Assets 9. Adoption of cloud services on the Group information infrastructure 10. Update of "Warehouse Efficiency Control" module on the Hotai Organized Parts E-Commerce System (HOPES) 11. Renovation of the office space of Corporate Planning Group and Information System Division located on the 9 th and 13 th floors of the Company headquarters
May 11, 2017	9 th Meeting of the 19 th Board	1. FY2016 performance bonus and dividends paid to the executive officers approved by the Remuneration Committee 2. Appointment of chief advisor 3. Proposal to release directors from participation in competition business 4. Maximum amount of endorsement and guarantee of obligations for affiliates in China in May 2017

(12) Major issues of record or written statements made by any director or supervisor dissenting to important resolutions passed by the Board of Directors during the latest fiscal year and as of the date of this Annual Report: none.

(13) Summary of resignation and removal of the Company's chairman, president, chief accounting, finance, internal auditing manager, or R&D officers within the latest fiscal year and as of the date of this Annual Report:

Title	Name	Date assumed position	Date relieved of position	Reason for resignation or dismissal
Internal auditing manager	Liu, Sung-Shan	2013/7/1	2016/7/1	Reassigned

III. Corporate Governance

4. Audit Fees

(1) Audit Fees

Accounting Firm	Name of CPA		Audit Period	Comments
PricewaterhouseCoopers Taiwan	Hsiao, Chin-Mu	Chou Chien-Hung	January 1, 2016 to December 31, 2016	-

Fee Range		Fee Items	Audit Fees	Non-audit Fees	Total Fees
1	Under NT\$2,000,000			V	
2	NT\$2,000,000 - NT\$3,999,999				
3	NT\$4,000,000 - NT\$5,999,999				
4	NT\$6,000,000 - NT\$7,999,999				
5	NT\$8,000,000 - NT\$9,999,999		V		V
6	NT\$10,000,000 and above				

- (2) Disclosure of audit and non-audit fees as well as details of the non-audit services where the non-audit fees paid to the certified public accountants, the independent certified public accounting firm and/or its affiliates are 25% or more of the audit fees

NT\$ in Thousands									
Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Remarks
			Systems of Design	Company Registration	Human Resources	Other Services (Note 1)	Subtotal		
PricewaterhouseCoopers Taiwan	Hsiao, Chin-Mu; Chou, Chien-Hung	9,030	—	25	—	900	925	January 1, 2016 to December 31, 2016	"Other Services" under non-audit fees shall refer to transfer pricing report

Note 1: Non-audit fees shall be listed by service. If the non-audit fees under "Other Services" account for 25% or more of the total non-audit fees, the services provided shall be noted in the "Remarks" column.

- (3) Disclosure of any change of auditors and where the audit fees are lower than the previous fiscal year, the amount, percentage and reasons of decrease: not applicable.
- (4) Disclosure of decrease, including the amount, percentage and reasons, where the audit fees are lower than the previous fiscal year by 15% or more: not applicable.

III. Corporate Governance

5. Disclosure of Change of Auditors

(1) Predecessor Auditor

Date of change	January 28, 2016
Reasons for the change of auditors	Due to internal personnel changes of PwC, one of the former CPA Wu, Yu-Lung was replaced by Hsiao, Chin-Mu
Has the auditor resigned, declined to stand for reappointment, or been notified that their services have been terminated?	N/A
If the auditor has issued an audit report expressing an opinion other than unqualified opinion within the last two years, please state the opinion and reason	N/A
Disagreement with the Company as to accounting treatment, accounting principles, auditing procedures, or other similarly significant matters	N/A
Other disclosures pursuant to Article 10, Paragraph 5, Subparagraph 1, Item 4 of the Regulations Governing Information to be Published in the Annual Reports of Public Companies (the "Regulations")	N/A

(2) Successor Auditor

Accounting firm	PricewaterhouseCoopers Taiwan
Name of CPA	Hsiao, Chin-Mu; Chou, Chien-Hung
Date of appointment	January 28, 2016
Inquiry of and information obtained from the predecessor auditor regarding the accounting treatment of, or accounting principles applied to a transaction, or opinion expressed on the financial statements audited prior to the acceptance of engagement	N/A
Written opinion of successor auditor on disagreements with predecessor auditor	N/A

(3) Written communication from the predecessor auditor in response to disclosure under Article 10, Paragraph 5, Subparagraph 1 and Article 10, Paragraph 5, Subparagraph 2, Item 3 of the Regulations: not applicable.

6. Disclosure of the Company's chairman, president, chief financial officer or chief accounting officer who has held a position at the Company's independent certified public accounting firm or its affiliates within the last year: none.

III. Corporate Governance

7. Changes in Shareholding of Directors, Supervisors, Executive Officers, and Major Shareholders

Title	Company Name/Name	2016		Year to April 30, 2017	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Director (Corporate Shareholder)	Chun Yung Investment Co., Ltd. (Note 2)	0	0	0	0
Director (Corporate Shareholder)	Jin Yuan Shan Investment Co., Ltd.	0	0	0	0
Supervisor/Director (Corporate Shareholder)	Yuan Tuo Investment Co., Ltd. (Note 1 and Note 2)	216,000	0	585,734	0
Director (Corporate Shareholder)	Gui Long Investment Co., Ltd.	0	0	0	0
Director (Corporate Shareholder)	Toyota Motor Corporation	0	0	0	0
Chairman	Huang, Nan-Kuang	0	0	0	0
Director	Lin, Li-Hua	0	0	0	0
Director	Huang, Chih-Cheng	0	0	0	0
Director	Huang Wen-Jui	(6,310)	0	0	0
Director	Su, Yann-Huei	0	0	0	0
Director	Su, Yi-Chung	0	0	0	0
Director/President	Su, Chwen-Shing	0	0	0	0
Director	Su, Maick	0	0	0	0
Supervisor/Director	Ko, Junn-Yuan (Note 1 and Note 2)	0	0	0	0
Director	Chang, Shih-Yieng	0	0	0	0
Director/ Executive Vice President	Katsuhito Ohno (Note 3)	0	0	0	0
Independent Director	Chen, Chi-Jhen (Note 2)	0	0	0	0
Independent Director	Su, Chin-Huo (Note 2)	0	0	0	0
Independent Director	Wu, Shih-Hao (Note 2)	0	0	0	0
Director (Corporate Shareholder)	Tuo De Investment Co, Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	De Ye Investment Co., Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	Zi Hui Enterprise Co., Ltd. (Note 1)	51,000	0	—	—
Director (Corporate Shareholder)	Sheng Gao Enterprise Co., Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	Jin De Mei Investment Co., Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	Hong Yuan Investment Co., Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	Shang Yao Investment Co., Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	Chang Hong Bai Sheng Investment Co., Ltd.(Note 1)	0	0	—	—
Director (Corporate Shareholder)	Sheng Quan Investment Co., Ltd. (Note 1)	0	0	—	—
Director (Corporate Shareholder)	Hino Motors, Ltd. (Note 1)	0	0	—	—
Supervisor (Corporate Shareholder)	Nan Jun Investment Co., Ltd. (Note 1)	0	0	—	—
Vice Chairman	Kono Hiroshi (Note 3)	0	0	—	—
Director	Su, Shih-An(Note 1)	0	0	—	—
Director	Huang, Si-Bo (Note 1)	0	0	—	—

III. Corporate Governance

Director	Chang, Han-Yun (Note 1)	0	0	—	—
Director	Chang, Tien-Chun (Note 1)	0	0	—	—
Director	Su, Jean (Note 1)	0	0	—	—
Director	Wang, Ko-Chin (Note 1)	0	0	—	—
Director	Su, Yin (Note 1)	0	0	—	—
Director	Ting, Chiao-Tung (Note 1)	0	0	—	—
Director	Masami Go (Note 3)	0	0	—	—
Director	Mitsuharu Tabata (Note 1 and Note 3)	0	0	—	—
Supervisor	Ko Wang, Wen-Liang (Note 1)	0	0	—	—
Supervisor	Weng, Hung-Ta (Note 1)	0	0	—	—
Supervisor	Tseng, Chi-Fu (Note 1)	0	0	—	—
Senior Vice President	Tien, Tien-Ming	0	0	0	0
Vice President	Chang, Min-Chieh (Note 4)	0	0	—	—
Vice President	Liu, Yuan-Sen	0	0	0	0
Director	Chen, Chien-Chou	0	0	0	0
Director	Fred Hsieh	0	0	0	0
Director	Lin, Shih-Yuan	0	0	0	0
Director	Katano Mamoru (Note 4)	0	0	—	—
Director	Huang, Ming-Hsien	0	0	0	0
Director	Wu, Chia-Yen	0	0	0	0
Director	Hsiao, Chin-Chuan	0	0	0	0
Director	Lai, Hung-Ta	0	0	0	0
Director	Tsai, Ching-Feng	0	0	0	0
Director	Liu, Chuan-Hung	2,000	0	0	0
Director	Hsiao, Hsing-Chien	0	0	0	0
Director	Liu, Sung-Shan	0	0	0	0
Director	Wu, Pin-Tsung (Note 4)	0	0	0	0
Director	Leon Soo (Note 4)	0	0	0	0
Director	Chen, Chun-Shan (Note 4)	0	0	0	0

The directors, supervisors, executive officers, and major shareholders holding more than 10% of the shares of the Company have not transferred or pledged their shares to any related parties.

Note 1: There was a re-election of directors in 2016 as the term of office of the former directors was to expire; the former directors' term of office ended on June 20, 2016.

Note 2: There was a re-election of directors in 2016 as the term of office of the former directors was to expire; the current directors' term of office began on June 21, 2016.

Note 3: Toyota Motor Corporation re-appointed Katsuhito Ohno on April 8, 2016 to replace Kono Hiroshi as their new representative; Hino Motors, Ltd. re-appointed Mitsuharu Tabata on March 28, 2016 to replace Masami Go as their new representative.

Note 4: Due to personnel changes within the Company, Directors Wu, Pin-Tsung, Leon Soo, and Chen, Chun-Shan came on board in July 2016; Vice President Chang, Min-Chieh retired in October 2016; Katano Mamoru was removed from his position in February 2017.

III. Corporate Governance

8. Relationship among Top 10 Shareholders

As of April 30, 2017

Name	Share Ownership		Share Ownership of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Related Party or Spousal or Familial Relationship within the Second Degree of Kinship among Top 10 Shareholders		Remarks
	Number	%	Number	%	Number	%	Company Name/Name	Relationship	
Hoyu Investment Co., Ltd., represented by Lin, Li-Hua	48,267,625	8.84%	0	0	0	0	—	N/A	
Toyota Motor Corporation, represented by Akio Toyoda	44,406,112	8.13%	0	0	0	0	—	N/A	
Li Gang Enterprise Co., Ltd., represented by Lin, Chih-Han	38,270,353	7.01%	0	0	0	0	—	N/A	
Jin Yuan Shan Investment Co., Ltd., represented by Su, Yi-Chung	36,071,520	6.60%	0	0	0	0	Cheng Sun Trading Co., Ltd.	Related parties	Half of the directors serve concurrently on both boards
Cheng Sun Trading Co., Ltd., represented by Su, Hung-Ming	24,572,088	4.50%	0	0	0	0	Jin Yuan Shan Investment Co., Ltd.	Related parties	Half of the directors serve concurrently on both boards
Shen Rong Investment Co., Ltd., represented by Chang, Chih-Fu	17,007,066	3.11%	0	0	0	0	—	N/A	
Zhi Geng Development Co, Ltd., represented by Huang Shih, Hsuan-Chi	13,823,682	2.53%	0	0	0	0	—	N/A	
Ming Yi Investment Co., Ltd., represented by Tsai, Sung-Po	13,602,943	2.49%	0	0	0	0	—	N/A	
Jin Ju Investment Enterprise Co., Ltd., represented by Lin, Shuai-Hung	13,353,776	2.45%	0	0	0	0	—	N/A	
Tai Zhang Investment Co., Ltd., represented by Huang, Tao-Tien	12,480,459	2.29%	0	0	0	0	—	N/A	

III. Corporate Governance

9. Share Ownership in Affiliates

As of April 30, 2017
Units: NT\$/US\$/Shares/%

Affiliates	Share Ownership by the Company		Share Ownership by Directors, Supervisors, Managing Officers, or Entities Directly or Indirectly Controlled by the Company		Total Share Ownership	
	Number of Shares/Amount	%	Number of Shares/Amount	%	Number of Shares/Amount	%
Hozan Investment Co., Ltd.	NT\$12,521,053,489	100.00%	0	0	NT\$12,521,053,489	100.00%
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	US\$58,897,360	100.00%	0	0	US\$58,897,360	100.00%
Chang Yuan Motor Co., Ltd.	265,000,000	100.00%	0	0	265,000,000	100.00%
Kuozui Motors, Ltd.	103,800,000	30.00%	242,200,000	70.00%	346,000,000	100.00%
Toyota Material Handling Taiwan Ltd.	48,816,929	100.00%	0	0	48,816,929	100.00%
Taipei Toyota Motor Co., Ltd.	25,438,987	34.81%	2,000	0.003%	25,440,987	34.81%
Ho Tai Development Co., Ltd.	24,710,856	45.01%	4,857,882	8.85%	29,568,738	53.86%
Kao Du Automobile Co., Ltd.	22,161,150	20.00%	0	0	22,161,150	20.00%
Eastern Motor Co., Ltd.	28,606,219	100.00%	0	0	28,606,219	100.00%
Kuotu Motor Co., Ltd.	17,553,761	20.05%	0	0	17,553,761	20.05%
Tau Miao Motor Co., Ltd.	15,153,573	20.00%	0	0	15,153,573	20.00%
Central Motor Co., Ltd.	15,000,000	20.00%	0	0	15,000,000	20.00%
Nan Du Motor Co., Ltd.	14,806,073	23.67%	0	0	14,806,073	23.67%
Carmax Co., Ltd.	22,950,000	51.00%	0	0	22,950,000	51.00%
Lang Yang Toyota Motor Co., Ltd.	2,000,000	20.00%	0	0	2,000,000	20.00%
Formosa Flexible Packaging Corp.	1,007,609	45.54%	0	0	1,007,609	45.54%
Shi-Ho Screw Industrial Co., Ltd.	211,433	21.14%	0	0	211,433	21.14%
Yokohama Tire Taiwan Co., Ltd.	3,000	25.00%	0	0	3,000	25.00%
Smart Design Technology Co., Ltd.	960,961	20.00%	2,968,016	61.77%	3,928,977	81.77%

Note: Affiliates accounted for using the equity method

IV. Capital Overview



IV. Capital Overview

1. Capital and Shares

(1) Sources of Capital

1. Capitalization

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital increased by Assets Other than Cash	Other
August 1991	10	94,011,840	940,118,400	94,011,840	940,118,400	Capital increased by Earnings: NT\$156,686,400	N/A	Approved by FSC letter (80) Tai Cai Zheng I No.01537 dated July 16, 1991
August 1992	10	122,215,391	1,222,153,910	122,215,391	1,222,153,910	Capital increased by Earnings: NT\$216,227,230; Capital Surplus Transferred to Share Capital: NT\$65,808,280	N/A	Approved by FSC letter (81) Tai Cai Zheng I No.01669 dated July 20, 1992
August 1993	10	146,658,469	1,466,584,690	146,658,469	1,466,584,690	Capital increased by Earnings: NT\$158,880,010; Capital Surplus Transferred to Share Capital: NT\$85,550,770	N/A	Approved by FSC letter (82) Tai Cai Zheng I No.30058 dated July 14, 1993
November 1994	10	197,990,163	1,979,901,630	197,990,163	1,979,901,630	Capital increased by Earnings: NT\$234,653,550; Capital Surplus Transferred to Share Capital NT\$58,663,390; Issuance of Common Stocks: NT\$220,000,000	N/A	Approved by FSC letter (83) Tai Cai Zheng I No.31768 dated August 5, 1994
August 1995	10	330,000,000	3,300,000,000	277,186,229	2,771,862,290	Capital increased by Earnings: NT\$395,980,330; Capital Surplus Transferred to Share Capital: NT\$395,980,330	N/A	Approved by FSC letter (84) Tai Cai Zheng I No.37776 dated June 29, 1995
October 1995	10	330,000,000	3,300,000,000	321,780,129	3,217,801,290	Issuance of Common Stocks: NT\$445,939,000	N/A	Approved by FSC letter (84) Tai Cai Zheng I No.49820 dated September 16, 1995

IV. Capital Overview

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital increased by Assets Other than Cash	Other
October 1996	10	420,000,000	4,200,000,000	410,269,665	4,102,696,650	Capital increased by Earnings: NT\$241,335,100; Capital Surplus Transferred to Share Capital: NT\$643,560,260	N/A	Approved by FSC letter (85) Tai Cai Zheng I No.53446 dated August 30, 1996
August 1997	10	440,000,000	4,400,000,000	430,783,148	4,307,831,480	Capital Surplus Transferred to Share Capital: NT\$205,134,830	N/A	Approved by FSC letter (86) Tai Cai Zheng I No.46559 dated June 10, 1997
August 1998	10	600,000,000	6,000,000,000	495,400,620	4,954,006,200	Capital increased by Earnings: NT\$215,391,570; Capital Surplus Transferred to Share Capital: NT\$430,783,150	N/A	Approved by FSC letter (85) Tai Cai Zheng I No.50882 dated June 10, 1998
September 2000	10	600,000,000	6,000,000,000	520,170,651	5,201,706,510	Capital Surplus Transferred to Share Capital: NT\$247,700,310	N/A	Approved by FSC letter (88) Tai Cai Zheng I No.61520 dated July 6, 1999
September 2000	10	600,000,000	6,000,000,000	546,179,184	5,461,791,840	Capital Surplus Transferred to Share Capital: NT\$260,085,330	N/A	Approved by FSC letter (89) Tai Cai Zheng I No.60392 dated July 12, 2000

2. Type of Stock

Type of Stock	Authorized Capital			Remarks
	Issued Shares (Note)	Unissued Shares	Total Shares	
Common Stock	546,179,184	53,820,816	600,000,000	Shares Listed on the Taiwan Stock Exchange ("TWSE")

3. Shelf Registration: None

IV. Capital Overview

(2) Shareholders Structure

As of April 30, 2017

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	0	142	6,573	455	7,171
Share Ownership	80,000	0	358,451,016	63,817,081	123,831,087	546,179,184
Percentage	0.02%	0%	65.63%	11.68%	22.67%	100%

(3) Distribution of Share Ownership

As of April 30, 2017

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership	Percentage
1 - 999	3,842	453,986	0.08%
1,000 - 5,000	2,406	4,214,414	0.77%
5,001 - 10,000	237	1,858,382	0.34%
10,001 - 15,000	96	1,224,298	0.22%
15,001 - 20,000	47	840,331	0.15%
20,001 - 30,000	75	1,890,417	0.35%
30,001 - 40,000	57	1,998,236	0.37%
40,001 - 50,000	33	1,496,700	0.27%
50,001 - 100,000	109	7,718,451	1.41%
100,001 - 200,000	75	10,400,218	1.90%
200,001 - 400,000	59	17,582,080	3.22%
400,001 - 600,000	37	18,402,726	3.37%
600,001 - 800,000	21	14,741,345	2.70%
800,001 - 1,000,000	12	10,983,267	2.01%
1,000,001 or above	65	452,374,333	82.83%
Total	7,171	546,179,184	100.00%

IV. Capital Overview

(4) Major Shareholders

As of April 30, 2017

Shareholders	Share Ownership	Percentage
Hoyu Investment Co., Ltd.	48,267,625	8.84%
Toyota Motor Corporation	44,406,112	8.13%
Li Gang Enterprise Co., Ltd.	38,270,353	7.01%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.60%
Cheng Sun Trading Co., Ltd.	24,572,088	4.50%
Shen Rong Investment Co., Ltd.	17,007,066	3.11%
Zhi Geng Development Co., Ltd.	13,823,682	2.53%
Ming Yi Investment Co., Ltd.	13,602,943	2.49%
Jin Ji Investment Enterprise Co., Ltd.	13,353,776	2.44%
Tai Zhang Investment Co., Ltd.	12,480,459	2.29%

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Item		2015	2016	As of April 30, 2017 (Note 8)
Market Price per Share (Note 1)	Highest Market Price	542.00	385.50	370.00
	Lowest Market Price	294.00	270.50	337.00
	Average Market Price	425.05	341.22	353.57
Net Worth per Share (Note 2)	Before Distribution	72.07	78.92	84.31
	After Distribution	60.07	Not yet distributed	Not yet distributed
Earnings per Share	Weighted Average Shares	546,179,184	546,179,184	546,179,184
	Earnings per Share (Note 3)	17.90	19.66	5.75
Dividends per Share	Cash Dividends		12 per share	12 per share
	Stock Dividends	From Retained Earnings	—	—
		From Capital Surplus	—	—
	Accumulated Undistributed Dividends (Note 4)		—	—
Return on Investment	Price/Earnings Ratio (Note 5)		23.75	17.36
	Price/Dividend Ratio (Note 6)		35.42	28.44
	Cash Dividend Yield (Note 7)		2.82%	3.52%

* If the profits and capital surplus are transferred to share capital for share issuance, the Company shall disclose the fair value and cash dividends adjusted retrospectively based on the number of shares issued.

Note 1: List the highest and lowest market price of common shares each year, and the average market price calculated based on annual trading value and volume.

Note 2: Based on the number of issued and outstanding shares at the end of the year and in accordance with the distribution approved by the annual shareholders' meeting.

Note 3: If retrospective adjustment is necessary due to stock dividend distribution, the earnings per share before and after the adjustment shall also be included.

Note 4: If the terms of issue of equity securities provide that any undistributed dividends may be carried forward until the Company has profits, the accumulated undistributed dividends as of the end of such fiscal year shall be disclosed respectively.

Note 5: Price/Earnings Ratio = Average Market Price/ Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price/ Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share/ Average Market Price

Note 8: Figures of net worth per share and earnings per share are data from the financial statements as of the most recent quarter audited or reviewed by the auditor; other figures reflect data from the current fiscal year and as of the date of this Annual Report.

IV. Capital Overview

(6) Dividend Policy and Implementation Status

1. Dividend Policy

As a mature company in the constantly changing automotive industry, our dividend policy considers the following factors: our future working capital needs, long-term financial planning, and cash inflow to deliver value to our shareholders. If the Company has any pre-tax profit at the end of a fiscal year, it shall first set aside an amount to pay business income tax and offset losses from previous years, appropriate 10% from the balance as legal reserve, and shall, pursuant to applicable laws and regulation, set aside a portion of the after-tax profits as special reserve. To the extent that there is any balance of the after-tax profits remaining, the total profits available for distribution shall consist of the remainder of such balance and retained earnings from the previous year. The shareholder dividends declared shall be no less than 50% of the distributable profits, from which the cash dividends shall be no lower than 10% of the total dividends declared.

The Board of Directors shall propose a profit distribution plan, including the percentage and form of payment, based on the profitability and available funds of the Company each year, and submit to the shareholders' meeting for approval.

2. Proposed Distribution of Profit

The Board of Directors has passed a resolution to distribute cash dividends at NT\$12 per share as the Company's FY2016 profit distribution plan, which is currently pending approval by the annual general meeting of the shareholders to be held on June 22, 2017.

(7) Impact of the Proposed Stock Dividends Distribution on the Business Performance and Earnings per Share of the Company:

No stock dividends were declared under the proposed profit distribution plan.

(8) Employee Remuneration and Directors' Remuneration

1. Employee Remuneration and Directors' Remuneration under the Articles of the Incorporation:

According to Article 34 of the Articles of Incorporation of the Company, if the Company has any profits, 1% of which shall be set aside for employee remuneration and no more than 2% for directors' remuneration (directors' and supervisors' remuneration in FY2015 shall not exceed 3%); provided, however, independent directors are not eligible to participate in the profit distribution of the Company. Any accumulated losses of the Company shall first be offset. Employee remuneration may be paid in the form of stocks or cash and shall be approved by over half of the directors present at the Board meeting attended by at least two-thirds of the directors, and shall be reported at the shareholders' meeting.

2. The Basis of Estimate of Accrued Employee Remuneration and Directors' Remuneration, and the Basis for Calculating the Number of Shares where Stock Dividends are

IV. Capital Overview

Distributed:

The accrued amounts for our FY2016 employee remuneration and directors' remuneration are estimated at 1% and 2% respectively based on the annual profits of the Company.

3. Proposed Distribution of Employee Remuneration by the Board of Directors

(1) Distribution of employee remuneration in the form of cash or stocks and directors' remuneration:

In FY2017, the actual distributed amounts for FY2016 employee remuneration and directors' remuneration approved by the Board of Directors are NT\$126,169 thousands and NT\$252,338 thousands respectively; employee remuneration will be distributed in cash.

(2) Distribution of employee remuneration in the form of stocks, and the distribution in percentage of total pre-tax profits in the parent company only or separate financial statements and total employee remuneration:

Employee remuneration will be paid in the form of cash.

4. Distribution of Employee Remuneration and Directors' and Supervisors' Remuneration in the Previous Year (including Number of Shares, Amount and Share Price), and the Difference in Value as well as Reason for Deviation and Accounting Treatment where the Actual Distributed Amount for Employee Remuneration and Directors' and Supervisors' Remuneration is Different from the Accrued Amount:

In FY2016, the actual amounts distributed as employee remuneration and directors' and supervisors' remuneration of FY2015 were NT\$ 115,976 thousands and NT\$ 347,927 thousands respectively, which were consistent with the proposed amount of distribution approved by the Board of Directors.

(9) Repurchase of Shares: Hotai did not buy back any of its own shares.

2. Corporate Bonds: Hotai did not issue any corporate bonds.

3. Preferred Stocks: Hotai did not issue any preferred stocks.

4. Global Depository Receipts: Hotai did not issue any global depository receipts.

5. Employee Stock Options: Hotai did not issue any employee stock options.

6. Employee Restricted Stocks: Hotai did not issue any employee restricted stocks.

7. Issuance of New Shares in Connection with Mergers and Acquisitions or in Exchange for the Shares of another Company: none.

8. Financing Plans and Implementation: Hotai has not acquired any funds by means of issuing securities or through a private placement; therefore, we do not have any relevant financing plans.

V. Operational Highlights



V. Operational Highlights

1. Business Activities

(1) Business Scope

1. Main areas of business operations:

- (1) Manufacturing, assembling and sales of all types of vehicles (including chassis and car body) and parts, as well as import business
- (2) Manufacturing and maintenance of special vehicles (e.g., trailers, garbage trucks, cranes, concrete mixing transport trucks, tanker trucks)
- (3) Manufacturing, assembling and sales of all types of industrial vehicles (e.g., tractors, loaders and forklifts) and parts, as well as import business
- (4) Car repair and maintenance
- (5) Leasing business

2. Revenues by Product Category

Product Category	Amount (NT\$ Thousands)	In % of Total Revenues
Toyota and Hino Distribution	105,038,533	60.88%
Installment Business	5,819,745	3.37%
Leasing Business	15,422,090	8.94%
Other	46,251,532	26.81%
Total	172,531,900	100.00%

3. Main Products and New Products Development

(1) Main Products

(2) Main Products

Product Category			Models
General Vehicles	Small Vehicles	LEXUS Luxury Vehicles	Imported: LS、LS HV、GS、GS HV、ES、ES HV、IS、IS HV、CT、LX、RX、RX HV、NX、NX HV、RC、RC HV
		TOYOTA Passenger Cars	Domestically made: PRADO、RAV4、C-HR、SIENNA、ALPHARD、PREVIA、PRIUS、PRIUS α、PRIUS c、PRIUS PHV、86 Imported: CAMRY、ALTIS、VIOS、YARIS、SIENTA
		TOYOTA Commercial Vehicles	Imported: diesel minibus COASTER
		HINO Commercial Vehicles	Domestically made: diesel buses, heavy trucks and minivans
Leasing Business			Leasing of Toyota, Lexus and other car brands
Installment Business			Installment sales of Toyota, Lexus and other car brands
General Insurance Business			Fire insurance, Motor insurance, Marine Cargo insurance, Engineering insurance, Liability insurance, Personal Accident insurance, Health insurance
Air Conditioning			Air conditioning made by DENSO for passenger cars and trucks
Parts and Accessories			Components and accessories for the above models and series

(2) New Products Development

- TOYOTA: introduction of the new C-HR and Prius PHV
- LEXUS: launching of the all-new LC and redesign of LS
- HINO: redesign of Toyota Coaster minibus, and introduction of the all-new Hino 500

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Series 10.4-ton long-wheelbase trucks, the 300 Series 6-ton trucks, and coach buses with wide suspensions.

(2) Industry Overview

1. Current Status and Future Development

In 2016, the gradual recovery of global economy encouraged growth in export trades and investments in Taiwan. According to preliminary statistics, the economic growth rate in Taiwan last year is currently estimated at about 1.50%, up by 0.78 percentage point compared to the previous period. Under the stimulus of government's commodity tax rebate policy through the scrappage program, the total sales of vehicles in the automotive market has reached nearly 440,000 units, an increase of approximately 19,000 units compared to the previous year, a record high since 2005.

As for sales by brands, TOYOTA/LEXUS/HINO are ranked No.1 in market share. The top 4 players and the company that holds the No.6 spot in the automotive industry are all Japanese car brands, accounted for 65.8% of the total market share.

Ranking	1	2	3	4	5	6
Brands	TOYOTA LEXUS HINO	mitsubishi FUSO	NISSAN INFINITI	HONDA	MERCEDES-BENZ	MAZDA
Sales	145,264	48,286	44,747	27,361	25,303	23,710
Market Share	33.0%	11.0%	10.2%	6.2%	5.8%	5.4%

2. Relationship with Upstream, Midstream and Downstream Companies:

The product sources of the automotive industry in Taiwan are authorized by international automobile companies (parent company of the brand) which provide parts and production technology for their assembly line in Taiwan or import whole vehicles. The Taiwanese distributors then sell and provide presale and after-sales services and vehicle repair and maintenance via its dealerships.

In addition to Kuozui Motors, Ltd. ("Kuozui Motors") (TOYOTA small vehicles and HINO large vehicles), other main domestic car manufacturers include China-Motor (MITSUBISHI small vehicles and FUSO large vehicles), Yulon Motors (NISSAN and LUXGEN small vehicles), Ford Lio Ho (FORD small vehicles), Sanyang Motor Co., Ltd (HYUNDAI small vehicles), and Taiwan Honda (HONDA small vehicles).

We distribute vehicles from brands in the industry that are known for their excellent quality, attentive after-sales service, and outstanding marketing and planning ability. Our competitive advantages are continuously strengthened and we have been sitting at the top in market share in the automotive industry for many years.

3. Product Development Trends and Competition

As the automotive market in Taiwan continues to see growth in recent years, there has been increasing cases where international automobile companies would terminate distribution rights and instead set up subsidiaries in Taiwan, whether on its own or through joint ventures. Under the direct support of the brands' parent companies, their subsidiaries in Taiwan actively introduce new products and expand distribution channels, which lead to a highly competitive automotive market.

The scale of Taiwan's automotive market is smaller than China, the United States, and Japan, but the domestic production technology and product quality have received international

V. Operational Highlights

recognition in recent years. Domestically made products have excellent quality, and the production of vehicles are gradually moving to the Middle East, Russia, and the Association of Southeast Asian Nations (ASEAN) for exports. With outstanding manufacturing technology, Kuozui Motors manufactures TOYOTA ALTIS to be exported to the Middle East as an OEM for TMC and has become Taiwan's first production center to achieve more than 200,000 units of production per year. In addition, Carmax Co., Ltd., an auto accessory supplier in our group, is authorized by TOYOTA as the developer of original accessories and a Tier 1 supplier of Kuozui Motors. The products we produce are sold back to TMC and assembled into whole vehicles and exported to countries in the Middle East. Furthermore, the Group is currently working towards joining the global automotive production and supply network. The above track record and activities demonstrate our competitive advantages in innovation, development and excellent quality.

(3) Technology and R&D

1. Our Product Planning Department works closely with Kuozui Motors and TMC in continuously analyzing consumer needs and preferences in the Taiwan in order to launch new models to respond to market demands. Currently, the models available include CAMRY, ALTIS, VIOS, YARIS, SIENTA, and RAV4, which are all the best-selling vehicles on the market. In addition, ALTIS has been selected the No.1 best-selling domestic single car model for 16 consecutive years. In the future, we will also continue to introduce eco-friendly and fuel-efficient models to meet consumer demands, which is expected to bring positive impact on our sales revenue.
2. As a vehicle distributor, we are in charge of product planning and sales, while the manufacturing, research and development are the responsibilities of TMC and Kuozui Motors.

(4) Short-term and Long-term Development Plans

Long-term Business Development Plans

1. Corporate Vision
Think outside the box and drive your dreams.
2. Mid to Long-term Strategies
 - (1) TOYOTA – obtain a leading position in the market and create satisfactory customer service to strengthen Toyota Service Advantage
 - (2) LEXUS - provide quality service with our top-notch team to become the best luxury car brand in the market.
 - (3) Commercial vehicles - promote activities cultivating customer trust and loyalty, build up leading brand image and achieve the No. 1 position in the commercial vehicles market
 - (4) Take risk management into account, maximize asset value, and create group synergy
 - (5) Create a new blueprint for the group and develop group structure
 - (6) Utilize group resources to explore new business opportunities

Short-term Business Development Plans

- (1) Hear the voice of market
 - Sales
TOYOTA – Understand customer preferences and reinforce our leading position
LEXUS – Take on the challenge of the next two decades and become the top luxury vehicle brand

V. Operational Highlights

Commercial vehicles - Strengthen competitive advantages of our products and secure the No.1 position in the commercial vehicles market

- Services

TOYOTA - Improve control rate of customer relations and achieve customer satisfaction

LEXUS - Strengthen competitive advantages of the brand and maintain the leading position in customer satisfaction

Commercial vehicles - Build up a complete service system and enhance service quality

(2) Open the frontier of next 70s

(3) Try and innovate upon past practice

(4) Advance and improve operational efficiency

(5) Impress public with CSR

2. Market and Sales Overview

As a professional distributor for automotive sales and services, we strive to deliver the best services whether in pre-sales and after-sales services that exceed customer expectation. In addition, we continuously provide customers with the best products and services by innovative practices to ensure product quality and enhance customer satisfaction.

(1) Market Analysis

1. TOYOTA Vehicles

(1) Sales Region

Our main products include domestically made CAMRY, ALTIS, VIOS, YARIS and SIENTA, and imported models from Japan, including PRADO, ALPHARD, PREVIA, PRIUS, PRIUS α, PRIUS c, PRIUS PHV, and 86, as well as US made SIENNA and Turkish made C-HR beginning in 2016. We have developed a complete sales network via our top 8 dealers and 109 sales locations.

(2) Market Share (as of December 31, 2016)

In 2016, automotive market in Taiwan was impacted by policy stimulus under the new scrappage program and introduction of featured models by other major car brands. The number of registered vehicles for the whole year was 439,629 units, up by 4.5% compared to 2015. As for TOYOTA, we continue to introduce new and redesigned models despite having numerous best-sellers to reinforce product portfolio. Furthermore, with quick adjustment of promotional and marketing strategies, the number of registered passenger vehicles (excluding LEXUS and HINO) was 124,311 units, accounted for 28.3% of the market share and ranked as No.1 in the market for 15 consecutive years.

(3) Future Supply and Demand, Market Growth, Competitive Advantages, Favorable and Unfavorable Factors of Development Prospect

Favorable Factors

- The economy in the US has been in a state of recovery. The economic optimism is expected to fuel development of industries in Taiwan and thereby boosting overall economy.
- Steady oil price reduces the cost of car use and encourages consumers to use and purchase vehicles.
- The government's commodity tax rebate policy under the scrappage program will continue for five years and therefore future demand of new car purchasing could be expected.

Unfavorable Factors

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- Political uncertainty in many European countries spiked; subsequent development is expected to impact the global economy.
- Consumer confidence in the country was impacted by policy change and remains to be restored and monitored.
- The public transportation networks of major metropolitan areas are gradually completed, resulting in reduction of vehicle use and mileage, causing extended purchasing demanded period; the demand for vehicles is being substituted by public transportation because of its convenience.

(4) Countermeasures

- Sales promotion – through the observation of consumer behavior using big data, improve closing ratio via personalized marketing and achieve sales maximization of best-selling car models.
- Brand management – deliver the message of brand rejuvenation by introducing personalized car models (e.g., C-HR, PRIUS PHV); enhance brand appeal through a variety of sponsored activities; integrate the new generation with traditional media and actively manage social media to increase interaction with customers.

【TOYOTA Key Performance Indicators】

TOYOTA	Industry Assessment Index	Data Source	Final Figures	Remarks
Sales	Number of Registered Vehicles	Ministry of Transportation and Communications	124,311 units	Ranked No. 1 in the automotive market for 15 consecutive years
	Market Share		28.3%	

2. LEXUS Vehicles

(1) Sales Region

The main products are imported from Japan, including sedan models, LS, GS, ES, IS, and CT, SUV models, LX, RX, and NX, and coupe model, RC. We create a full coverage sales network through our 8 dealers and 24 sales branches.

(2) Market Share (as of December 31, 2016)

In 2016, the number of luxury vehicles registered was 75,076 units, increased by 6.2% compared to 2015. The number of LEXUS vehicles registered was 15,184 units, accounted for 20.2% of the market share and ranked No. 3 in the luxury vehicle market.

(3) Sales and Service Quality

LEXUS SSI and CSI are both highly commended by internal-conducted and evaluation and 3rd party public surveys.

(4) Future Supply and Demand, Market Growth, Competitive Advantages, Favorable and Unfavorable Factors of Development Prospect

Favorable Factors

- The composition ratio of luxury vehicles market continues to grow at a steady rate.
- Changes in consumer preference drive growth in luxury SUV market.

Unfavorable Factors

- Our competitors continue to expand product line-up and introduce new crossover products.
- Numerous luxury vehicle brands invest in building brand new large-scale sales branches

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and upgrading software and hardware specifications.

- New labor policy has come into effect, which increases the uncertainty of markets.

(5) Countermeasures

- Create new brand positioning: using a universal brand language to communicate with consumers, and redefining brand concept by introducing luxury coupe, LC, and the flagship model, LS.
- Enhance connection with consumers: providing a coverage on vehicle test drives and interview with experiential masters, building up brand image through a variety of campaigns in domestic and foreign markets, offering customer test rides, sponsoring golf activities, motor show, and cross-industry affiliation, and effectively communicating with consumers through new media platforms to increase precision in approaching target market.
- Upgrade service locations and specifications: as our large-scale service branches are now in place, we will continue to create product differentiation through offering innovative service activities and unique service experiences, thereby enhancing owners' satisfaction and build up brand loyalty.
- Improve quality and quantity of human resources: establishing an education and training department and a complete system to develop deputy managers and new employees, and strengthen team efficiency and competency.
- Integrate group value chain: enhancing brand value by improving LEXUS CPO business model and integrating dealer resources of new vehicles and CPO.

【LEXUS Key Performance Indicators】

LEXUS	Industry Assessment Index	Data Source	Final Figures	Remarks
Sales	Number of Registered Vehicles	Ministry of Transportation and Communications	15,184 units	Growth was primary driven by LSUV sales; increased by 2,736 units (+22%) compared to 2015, currently ranked 3 rd in the luxury vehicle market.
	Market Share		20.2%	

3. Commercial Vehicles

(1) Main Sales and Supply Region

- Main sales region: Taiwan
- Main supply region: Japan and Taiwan

(2) Market Share (as of December 31, 2016)

The tour bus market took a hard hit in 2016 due to decline in number of tourists from China. As the government implemented policies to counter rising housing prices and cut infrastructure budget, the building and construction industries also suffered, resulting in lower demand in dump trucks and concrete mixing transport trucks. In 2016, our commercial vehicle sales dropped to 20,805 units, 98% compared to 2015.

Last year, we sold a total of 2,589 units of TOYOTA and HINO commercial vehicles, leading in market share for 7 consecutive years at 28.0%. In addition, at the excellent response from customers, sales of HINO 3.49 tons reached 3,180 units in 2016, a 5.5% growth

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compared to 2015, hitting a record high. We currently rank No.2 with a 27.5% market share in commercial vehicle sales.

(3) Favorable and Unfavorable Factors of Future Market Development

Favorable Factors

- The tariff exemption to low-floor buses is extended until 2019, and the demand and replacement of route bus continues to increase.
- The drop of oil price reduces operating costs and increases profit margin for customers, which increases car purchasing willingness.
- The e-commerce market size is growing gradually, and so does the demand for home delivery and logistics transport vehicles.
- The Executive Yuan implemented the “Forward-Looking Infrastructure Plan” at an 8-year budget of NT\$880 billion to promote railway and hydraulic infrastructure constructions, which will increase demand in heavy duty vehicles.
- The Environmental Protection Administration intends to amend the law to raise air pollution tariffs for diesel trucks, implement a large goods vehicle scrappage program, and prohibit old diesel trucks to enter restricted areas so as to encourage the replacements of 80,000 Class 1 and Class 2 diesel trucks.

Unfavorable Factors

- China restricts the number of tourists to Taiwan, which causes an excess amount in tour buses, thus reduces the demand for tour buses.
- Due to the five-day-workweek policy implemented by the government, the cargo industry has decreased or canceled shifts on weekends and holidays to lower operating costs.
- Production center has stated that costs have increased due to added compliance items required by the government since the new regulation became effective.

(4) Countermeasures

In response to the sales opportunities of the commercial vehicle market and customer needs, we continue to introduce new products, increase the competitiveness of our products and secure market advantages.

- Trucks: Improve sales by utilizing the advantages of the after-sale service.
- Bus: Continue to strengthen the interaction with transportation companies and vehicle manufacturers to provide products meeting their needs in a timely manner. Furthermore, we offer overseas tour for transportation companies and promotion activities to increase sales opportunities.
- 3.49 tons: Strengthen services at sales locations and accelerate employee recruitment; expand brand awareness by enhancing advertising and promotion activities in the media.

4. Leasing and Installment

(1) Supply Region

There are 7 business locations across the country to provide services for long-term leasing and installment of vehicles. There are currently over 90 short-term rental and leasing locations (including 41 iRent locations) in Taiwan to provide daily rental service.

(2) Market Share (as of December 31, 2016)

- There were 43,270 units of cars in the car leasing market (accounted for 9.8% of the new car sales); we were ranked No.1 with 8,454 units of rental car (market share of 19.5%).

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- The total amount of car installments was NT\$51.2 billion, which outperforms competitors and ranks top in the industry.

(3) Supply and Demand and Future Market Growth

As global and Taiwan economies continue to recover, the demand for car is expected to increase in 2017. We will continue to launch more attractive leasing and installment programs and products to meet customers' needs. We expect the car leasing and installment market to improve this year.

(4) Favorable and Unfavorable Factors of Future Market Development Prospect

Favorable Factors

- The release of new Toyota and Lexus models will boost the leasing and installment business.
- Recovery of global economy and stock market as well as lower unemployment rate will increase consumer purchasing.

Unfavorable Factors

- Impact of the commodity tax rebate policy under the scrappage program moderated, which will affect vehicle sales.
- Banks and competitors in the industry start to offer lower prices.

(5) Countermeasures

- Cater to the needs of different types of customers by offering a variety of leasing and installment programs, thereby building up our installment and leasing business.
- Strengthen business management and invest in distribution channels of Toyota and Lexus as well as other brands to increase case handling of our installment and leasing business.
- Improve after sales service to increase customer satisfaction, and strengthen customer relations management to enhance customer retention rate and introduction rate.

5. General Insurance

- (1) Supply Region: Sales are made through 5 subsidiaries and 19 service locations in Taiwan.

- (2) Market Share (as of December 31, 2016): 2.6%.

(3) Supply and Demand and Future Market Growth

General insurance premium has been maintaining a 3-5% growth rate annually in recent years. In 2016, the premium growth surged to a 5-year high at 7.2%, mainly attributed to increased auto insurance premium due to a growing automotive market; the growth rate was nearly 9.1%. In addition, due to regulation changes and the rising awareness of insurance claims, liability insurance has also been climbing at a double-digit rate for the last two years, boosting premium growth. While increasing automobile sales will continue to drive growth in the auto insurance industry, government's progressive infrastructure development plans are also expected to positively impact other commercial lines insurance in 2017.

(4) Favorable and Unfavorable Factors of Future Market Development Prospect

Favorable Factors

- In addition to the continued increase of car sales which propel auto insurance market growth, government's progressive infrastructure development plans will also cause a surging need for Contractor's All Risk insurance, thereby driving the rise and development of new industries. These new industries are expected to boost growth in the markets of fire insurance and other commercial lines.

V. Operational Highlights

- Regulation changes also stimulate further growth in the insurance market and increase the needs for various liability insurance, such as public liability insurance, director and officer liability insurance.

Unfavorable Factors

- Improper price competition on the market has created some difficulties in developing new businesses. As loss ratio continues to rise, profit margin slumps.
- Unhealthy competition prompts regulatory authorities to tighten regulations and increase monitoring of the industry. As a result, the sales and service procedures have become more complicated, increasing operating costs and lowering profitability.

(5) Countermeasures

- Integrate auto insurance sales and improve services to respond to soaring business growth.
- Increase market penetration of our insurance products through existing channels; diversify business by offering other types of personal insurance products.
- Comply with government policies and regulation reforms; focus on developing relevant commercial lines insurance.
- Continue to analyze and select businesses with better loss ratio, and improve loss ratio and profitability by diversifying portfolios.

(2) Production Procedures of Main Products

1. Major products and Their Main Uses

Product Category		Main Uses
TOYOTA	Passenger Car	Means of transportation instead of walking, or used for leisure, commuting, business travel or for business use of companies, and for rental and taxi industries to carry passengers.
	Commercial Vehicle	For companies to carry passengers or commodities, or for passenger transportation and sightseeing bus industries, organizations, schools and groups to carry passengers.
HINO	3.49 tons Truck	For companies or logistic companies to transport commodities.
	Truck	For companies or logistic companies to transport commodities.
	Bus	For passenger transportation and sightseeing bus industries, organizations, schools and groups to carry passengers.

2. Production Procedures of Main Products: we do not operate production business, thus there is no production procedure.

(3) Supply of Main Raw Materials

Product Category		Main Suppliers
TOYOTA	Passenger Car, Commercial Vehicle and Parts	Imported: TMC and TMAP Domestically made: Kuozui Motors
HINO	Truck and Bus	Imported: Hino Motors, Ltd. Domestically made: Kuozui Motors

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(4) Suppliers (Customers) Accounted for More than 10% of the Total Purchase (Sales) in any Given Year for the Last Two Years

1. Customers Accounted for Over 10% of the Total Sales for the Last Two Years

Customer Name	2015			2016			As of Q1 2017		
	Net Sales (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Sales (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Sales (NT\$ Thousands)	Percentage (%)	Relation with Hotai
Central Motor Co., Ltd.	21,294,830	15	Investee Company Accounted for Using Equity Method	23,057,234	15	Investee Company Accounted for Using Equity Method	6,580,853	16	Investee Company Accounted for Using Equity Method
Tau Miao Motor Co., Ltd.	19,655,476	14	Investee Company Accounted for Using Equity Method	21,113,773	14	Investee Company Accounted for Using Equity Method	6,280,595	15	Investee Company Accounted for Using Equity Method
Taipei Toyota Motor Co., Ltd.	15,822,874	11	Investee Company Accounted for Using Equity Method	16,929,421	11	Investee Company Accounted for Using Equity Method	5,164,016	12	Investee Company Accounted for Using Equity Method
Kau Du Automobile Co., Ltd.	14,120,539	10	Investee Company Accounted for Using Equity Method	15,022,927	10	Investee Company Accounted for Using Equity Method	4,362,140	10	Investee Company Accounted for Using Equity Method

2. Suppliers Accounted for Over 10% of the Total Purchase for the Last Two Years

Company Name	2015			2016			As of Q1 2017		
	Net Purchase (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Purchase (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Purchase (NT\$ Thousands)	Percentage (%)	Relation with Hotai
Kuozui Motors, Ltd.	53,721,062	30	Investee Company Accounted for Using Equity Method	52,817,429	29	Investee Company Accounted for Using Equity Method	16,045,706	36	Investee Company Accounted for Using Equity Method
Toyota Motor Corporation	27,710,200	16	Director of Hotai	34,867,033	19	Director of Hotai	7,039,767	16	Director of Hotai

(5) Production Volume and Amount for the Last Two Years: None.

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(6) Sales Volume and Amount for the Last Two Years

Division	2015				2016			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales Volume (Units)	Sales Amount (NT\$ Thousands)	Sales Volume (Units)	Sales Amount (NT\$ Thousands)	Sales Volume (Units)	Sales Amount (NT\$ Thousands)	Sales Volume (Units)	Sales Amount (NT\$ Thousands)
Toyota and Hino	112,086	96,997,263	-	-	117,101	105,038,533	-	-
Installment Business	-	5,356,124	-	-	-	5,819,745	-	-
Leasing Business	-	14,591,162	-	-	-	15,422,090	-	-
Other	17,365	42,631,758	-	1,031,321	19,140	45,237,321	-	1,014,211
Total	129,451	159,576,307	-	1,031,321	136,241	171,517,689	-	1,014,211

Note: Sales volume means the number of new vehicles sold.

3. Key Statistics of Group Employees for the last Two Years and as of the Date of this Annual Report

Year		2015	2016	As of March 31, 2017
Number of Employees	Direct Personnel (Sales representatives)	1,944	2,257	2,268
	In-Direct Personnel (Support / management department)	2,483	2,331	2,396
	Total	4,427	4,588	4,664
Average Age		37.02	37.39	37.33
Average Length of Service		6.41	6.98	7.03
Highest Level of Education (%)	Ph.D.	0.00%	0.02%	0.02%
	Master's Degree	9.65%	10.96%	9.69%
	Bachelor's Degree	60.03%	59.76%	61.49%
	Senior High School Diploma	29.47%	27.46%	26.82%
	Below Senior High School	0.85%	1.79%	1.97%
Total		100%	100%	100%

4. Environmental Expenditure

The sum of losses and penalties for environmental pollution in the current year and as of the date of publication of the annual report: None

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5. Labor Relations

- (1) Our employee welfare, education, training, retirement system and its implementation, as well as Labor-Management agreement and measures for employee rights protection:

1. Employee Welfare

All of the group companies with Employee Welfare Committees established have set aside welfare funds in accordance with the *Employee Welfare Fund Act* for the use of sponsoring cultural and recreational activities, training and education funds, family consolation and support, wedding and funeral subsidies, company trips, etc.

2. Retirement System

All of our employees have opted for the new labor pension system.

3. Training Programs

Our group places great value on the development of employees, therefore we have invested considerable funds in the improvement of employee skills and quality in order to enhance competitiveness. Each year, we provide various internal and external training courses on a regular basis and revise depending on our needs. For the purpose of improving the efficiency and results of training program, employee's training program consists of the following two categories:

- Internal training courses: The education and training unit is responsible for preparing the annual budget and educational goals, and invite guest lecturers, senior management personnel or colleagues who have been trained to be lecturer. The training courses are aimed to cultivate positive work attitudes and personal values, enhance capabilities and technical skills of the employees and promote knowledge-sharing.
- External training courses: the courses are designed mainly to supplement the internal training. We have an annual budget that allows employees trained by corporate management consulting companies and/or professional associations.
- Education and Training Statistics of the Group in 2016

Course Type	Attendance	Expenses	Total Expenses
Internal	4,678	NT\$7,873,797	NT\$8,412,489
External	63	NT\$338,253	

4. Labor-Management Agreements and Measures for the Protection of Employee Rights

We strive to adhere to the management principles that respect employees and foster harmonious labor relations. Employees are encouraged to freely express their opinions and concerns through a quarterly labor-management meeting or a less formal channel (such as employee suggestion box), and to which we will provide responses or reasonable solutions. The information in relation to our measures to enhance effective communication is as follows:

Companies	Commentary on the Measures
Hotai Motor Co., Ltd.	Quarterly organize labor-management meeting and set up employee suggestion box
Hoton Motor Investment Co., Ltd and its 4S Store	Management personnel shall be the point of contact to receive employee suggestions
Chang Yuan Motor Co., Ltd.	Employee can make suggestions through HR personnel
Toyota Material Handling Taiwan Ltd.	Set up an e-mail account to exclusively receive employee feedbacks and suggestions

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Companies	Commentary on the Measures
Eastern Motor Co., Ltd.	The head of the customer relations department shall collect employees suggestions during store inspection and raises them at the weekly management meetings.
Formosa Flexible Packaging Corp.	Hold quarterly labor-management meetings and appoint dedicated staff from the general administration department to be responsible for collecting employee suggestions and providing responses.
CarMax Co., Ltd./ CarMax Autotech (Shanghai) Co., Ltd.	Employee can make suggestions through HR personnel
Hotai Finance Co., Ltd./Hotai Leasing Co., Ltd. and Affiliates	Employee can make suggestions through HR personnel
Ho Tai Development Co., Ltd.	(1) Management personnel shall be the point of contact to receive employee suggestions and feedbacks and raise them at the weekly management meetings.
	(2) Employees can submit feedbacks and suggestions through the electronic reporting system

(2) Loss incurred due to labor disputes in the current year and as of the date of this annual report, and disclosure of the estimated amount of current and potential loss and countermeasures:

1. Due to our complete system and the spirit of humane management, we have been able to maintain a harmonious relationship with our employees and work together to achieve a sustainable business. There has never been any significant labor dispute since Hotai was founded. Going forward, we believe that the possibility of losses incurred due to labor disputes in the future is extremely low given our vision of respect for people and the harmonious interaction between Hotai and our employees.

2. Employee Code of Conduct or Ethics

In August 2009, we adopted and promulgated Hotai's *Employee Code of Conduct*. The main purposes are as follows:

- (1) To establish consistent ethical standards and enhance employee self-discipline in order to improve Hotai's corporate governance practices and internal control.
- (2) To strengthen our corporate culture of promoting public welfare and environmental protection and make efforts in social contributions together with our employees, so as to enhance corporate image.

The rules under the *Employee Code of Conduct* which employees are subject to can be divided into the following three categories depending on the parties involved:

(1) Company Related

- Employees shall follow the *Employee Code of Conduct* and perform their duties with integrity.
- The Company shall work together with the employees and utilize their skills to continuously improve business performance of the Company.

(2) Business Activity Related

- Employees shall comply with the law, be conscientious and have a sense of responsibility.
- Employees are encouraged to solve problems arising from the various needs of customer and the Company's continuous expansion. For example, to establish appropriate purchase and supply network, meet environmental and safety standards, and improve customer satisfaction.

(3) Society Related

- Employees are expected to support the Company in becoming a trusted corporate

V. Operational Highlights

citizen, communicate with stakeholders in an open manner, participate in activities promoting sustainable development of the society, and maintain humility, honesty and integrity.

- Employees should have a basic understanding of legal knowledge and social norms, and be able to identify behaviors that are against the law or social norms and take prompt and proper countermeasures.

The implementation of employee conducts and business ethics of our group companies are as follows:

The human resources regulations of Eastern Motor Co., Ltd. contain service disciplines, and require employees to sign an affidavit on their onboard dates, which contain all the company rules and regulation the employees, shall comply with; CarMax Co., Ltd. also provides employees code of conduct in their human resources regulations; other group companies also promote business ethics through oral campaigns. Our group places great emphasis on discipline and regulatory compliance, and therefore adopts a set of general human resources management regulations as guidelines for proper attitude and behaviors of employees in the workplace. In addition, our respect for gender equality, we also set up a Gender Equality Committee, the details of which are described as below:

- Name: Hotai Motor Co., Ltd. Employee Sexual Harassment Prevention and Complaints Committee
- The Committee charter was adopted in compliance with the principles under the Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace, which is promulgated based on Article 13, Paragraph 3 of the Act of Gender Equality in Employment.
- It is participated by the representatives of employees and management.
- Establish a dedicated webpage on our intranet for the purpose of providing information and promotion.
- The webpage includes information on preventive measures, relevant information of the Committee, case illustration, and amendments to the management practices, etc. Other group companies also promote and announce their workplace sexual harassment preventive measures.

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6. Significant contracts

As of December 31, 2016

Type of Agreement	Party Involved	Term	Main Contents	Restrictive Clauses
Hotai				
Distributor Agreement	Toyota Motor Corporation	January 1, 2016 to December 31, 2018 (for Toyota and Lexus)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.	None
	Hino Motors, Ltd.	April 1, 2016 to March 31, 2021 (for Hino)		
Agreement on Sale and Purchase of Kuozui Products	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.	None
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.	None
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.	None
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.	None
Toyota Material Handling Taiwan Ltd.				
Distributor Agreement	Toyota Industries Corporation	From April 1, 2014 to March 31, 2017	Sales of imported TOYOTA vehicles and parts for industrial and industry use in Taiwan.	None

VI. Financial Information



VI. Finance Overview

1. Condensed Balance Sheet and Statement of Comprehensive Income for the Last Five Years

(1) Condensed Balance Sheet (Consolidated) - Based on IFRS

Unit: in thousand NT\$

Year		Financial Data for The Last Five Years (Note 1)					As of March 31, 2017 (Note 3)
		2012	2013	2014	2015	2016	
Item							
Current Assets		81,631,448	88,509,781	95,013,194	110,659,017	127,756,095	126,380,785
Property, Plant and Equipment		30,267,924	33,596,748	36,763,973	35,464,467	33,706,177	34,583,054
Intangible Assets		-	4,726	1,692	-	-	1,210,268
Other Assets		9,611,082	12,913,673	17,391,092	17,508,830	17,454,304	24,863,349
Total Assets		121,510,454	135,024,928	149,169,951	163,632,314	178,916,576	187,037,456
Current Liabilities	Before Distribution	72,467,153	78,494,224	85,848,827	98,628,113	108,898,823	106,915,237
	After Distribution	77,382,766	85,376,082	91,583,708	105,182,263	Not yet distributed (Note 2)	Not yet distributed (Note 2)
Non-Current Liabilities		14,459,475	18,257,807	22,237,316	19,227,239	19,438,664	26,279,965
Total Liabilities	Before Distribution	86,926,628	96,752,031	108,086,143	117,855,352	128,337,487	133,195,202
	After Distribution	91,842,241	103,633,889	113,821,024	124,409,502	Not yet distributed (Note 2)	Not yet distributed (Note 2)
Equity Attributable to Shareholders of the Parent		30,089,765	33,042,528	35,392,697	39,364,139	43,106,242	46,047,577
Share Capital		5,461,792	5,461,792	5,461,792	5,461,792	5,461,792	5,461,792
Capital Surplus		263,060	263,060	263,060	263,060	263,060	263,060
Retained Earnings	Before Distribution	24,025,418	26,567,058	28,552,994	32,530,119	36,718,917	39,858,558
	After Distribution	19,109,805	19,685,200	22,818,113	25,975,969	Not yet distributed (Note 2)	Not yet distributed (Note 2)
Other Equity Interest		339,495	750,618	1,114,851	1,109,168	662,473	464,167
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interest		4,494,061	5,230,369	5,691,111	6,412,823	7,472,847	7,794,677
Total Equity	Before Distribution	34,583,826	38,272,897	41,083,808	45,776,962	50,579,089	53,842,254
	After Distribution	29,668,213	31,391,039	35,348,927	39,222,812	Not yet distributed (Note 2)	Not yet distributed (Note 2)

Note 1: The financial data from 2012 to 2016 has been certified by CPA.

Note 2: The annual general meeting of shareholders has not been convened to resolve the 2016 earnings distribution proposal.

Note 3: The financial data for the first quarter of 2017 has been reviewed by CPA.

VI. Finance Overview

(2) Condensed Statement of Comprehensive Income (Consolidated) – Based on IFRS

Unit: in thousand NT\$

Year Item	Financial Data for the Last Five Years (Note 1)					As of March 31, 2017 (Note 3)
	2012(Note 3)	2013	2014	2015	2016	
Operating Revenue	138,538,340	146,466,911	160,214,136	160,607,628	172,531,900	48,159,861
Gross Profit	16,039,861	18,316,965	19,949,088	21,176,935	22,997,971	-
Operating Profit	6,791,589	7,605,071	8,479,190	9,120,540	10,196,844	-
Non-Operating Income and Expenses	3,461,343	2,966,193	3,748,950	4,100,226	4,350,541	-
Profit Before Income Tax	10,252,932	10,571,264	12,228,140	13,220,766	14,547,385	4,136,920
Income Tax Expense	(1,760,255)	(1,938,013)	(1,935,575)	(2,338,273)	(2,488,486)	(650,661)
Profit for the Year	8,492,677	8,633,251	10,292,565	10,882,493	12,058,899	3,486,259
Other Comprehensive Income (Loss) for the Year, Net of Tax	(204,679)	236,208	366,854	(70,023)	(512,966)	(235,293)
Total Comprehensive Income for the Year	8,287,998	8,869,459	10,659,419	10,812,470	11,545,933	3,250,966
Net Income Attributable to Owners of the Parent	7,536,551	7,650,112	9,195,939	9,776,591	10,740,039	3,139,641
Net Income Attributable to Non-Controlling Interests	956,126	983,139	1,096,626	1,105,902	1,318,860	346,618
Comprehensive Income Attributable to Owners of the Parent	7,395,983	7,871,803	9,515,879	9,706,323	10,301,281	2,941,335
Comprehensive Income Attributable to Non-Controlling Interests	892,015	997,656	1,143,540	1,106,147	1,244,652	309,631
Earnings Per Share (in New Taiwan dollars)	13.80	14.01	16.84	17.90	19.66	5.75

Note 1: The financial data from 2012 to 2016 has been certified by CPA.

Note 2: The financial report for the first quarter of 2017 has been reviewed by independent auditors. On January 17, 2017, we acquired 99.80% of the equities in Zurich Insurance (Taiwan) Ltd. (which was renamed as Hotai Insurance Co., Ltd.). After the acquisition, Hotai Insurance Co., Ltd. became a consolidated entity of the Group, which is subject to consolidated business of a different industry and issues comprehensive income statement in a single-step format. Therefore, there are no figures available on gross profit, operating profit, and non-operating income and expenses.

Note 3: The earning per share in 2012 is NT\$13.76 based on ROC GAAP, and is NT\$ 13.80 if based on IFRS (calculation based on IFRS is required by the R.O.C. Financial Supervisory Commission for all listed companies).

VI. Finance Overview

(3) Condensed Balance Sheet (Individual) – Based on IFRS

Unit: in thousand NT\$

Year Item		Financial Data for the Last Five Years (Note 1)				
		2012	2013	2014	2015	2016
Current Assets		13,120,329	14,461,788	7,622,645	13,097,959	17,813,953
Property, Plant and Equipment		3,883,723	3,855,755	3,739,070	3,696,383	3,720,240
Intangible Assets		-	4,482	1,692	-	-
Other Assets		21,628,457	26,497,061	32,528,148	34,073,296	35,788,978
Total Assets		38,632,509	44,819,086	43,891,555	50,867,638	57,323,171
Current Liabilities	Before Distribution	6,867,854	10,112,859	7,087,991	10,092,858	12,637,792
	After Distribution	11,783,467	16,994,717	12,822,872	16,647,008	Not yet distributed (Note 2)
Non-Current Liabilities		1,674,890	1,663,699	1,410,867	1,410,641	1,579,137
Total Liabilities	Before Distribution	8,542,744	11,776,558	8,498,858	11,503,499	14,216,929
	After Distribution	13,458,357	18,658,416	14,233,739	18,057,649	Not yet distributed (Note 2)
Share Capital		5,461,792	5,461,792	5,461,792	5,461,792	5,461,792
Capital Surplus		263,060	263,060	263,060	263,060	263,060
Retained Earnings	Before Distribution	24,025,418	26,567,058	28,552,994	32,530,119	36,718,917
	After Distribution	19,109,805	19,685,200	22,818,113	25,975,969	Not yet distributed (Note 2)
Other Equity Interest		339,495	750,618	1,114,851	1,109,168	662,473
Treasury Stock		-	-	-	-	-
Total Equity	Before Distribution	30,089,765	33,042,528	35,392,697	39,364,139	43,106,242
	After Distribution	25,174,152	26,160,670	29,657,816	32,809,989	Not yet distributed (Note 2)

Note 1: The financial data from 2012 to 2016 has been certified by CPA.

Note 2: The annual general meeting of shareholders has not been convened to resolve the 2016 earnings distribution proposal.

VI. Finance Overview

(4) Condensed Statement of Comprehensive Income (Individual) – Based on IFRS

Unit: in thousand NT\$

Item \ Year	Financial Data for The Last Five Years (Note 1)				
	2012 (Note 2)	2013	2014	2015	2016
Operating Revenue	89,269,583	94,384,785	103,873,219	101,971,202	110,353,594
Gross Profit	6,709,679	7,345,118	8,108,977	8,705,717	9,559,420
Operating Profit	3,835,873	4,528,791	5,231,790	5,551,847	6,279,392
Non-Operating Income and Expenses	4,661,891	4,252,813	4,978,261	5,581,820	5,958,981
Profit Before Income Tax	8,497,764	8,781,604	10,210,051	11,133,667	12,238,373
Income Tax Expense	(961,213)	(1,131,492)	(1,014,112)	(1,357,076)	(1,498,334)
Profit for the Year	7,536,551	7,650,112	9,195,939	9,776,591	10,740,039
Other Comprehensive Income (Loss), Net	(140,568)	221,691	319,940	(70,268)	(438,758)
Total Comprehensive Income for the Year	7,395,983	7,871,803	9,515,879	9,706,323	10,301,281
Earnings Per Share (in New Taiwan dollars)	13.80	14.01	16.84	17.90	19.66

Note 1: The financial data from 2012 to 2016 has been certified by CPA.

Note 2: The earning per share in 2012 is NT\$13.76 based on ROC GAAP, and is NT\$ 13.80 if based on IFRS (calculation based on IFRS is required by the R.O.C. Financial Supervisory Commission for all listed companies).

VI. Finance Overview

(5) Condensed Balance Sheet (Consolidated) – Based on ROC GAAP

Unit: in thousand NT\$

Year Item		Financial Data for the Last Five Years (Note 1)				
		2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	2016 (Note 2)
Current Assets		81,933,393	Reporting under IFRS; no GAAP figures available.			
Funds & Investments		7,590,511				
Fixed Assets		29,948,657				
Intangible Assets		238,832				
Other Assets		860,833				
Total Assets		120,572,226				
Current Liabilities	Before Distribution	72,804,088				
	After Distribution	77,719,701				
Long-Term Liabilities		2,897,897				
Other Liabilities		9,442,633				
Total Liabilities	Before Distribution	85,724,780				
	After Distribution	90,640,393				
Equity Attributable to Shareholders of the Parent		30,362,588				
Share Capital		5,461,792				
Capital Surplus		340,368				
Retained Earnings	Before Distribution	23,622,739				
	After Distribution	18,707,126				
Unrealized Gain or Loss On Financial Instruments		229,048				
Cumulative Translation Adjustments		181,212				
Net Loss not Recognized as Pension Cost		(141,092)				
Minority Interest		4,484,858				
Total Shareholders' Equity	Before Distribution	34,847,446				
	After Distribution	29,931,833				

Note 1: All of the financial data above for each fiscal year has been certified by CPA.

Note 2: IFRS has been applied since 2013; please refer to the statements prepared using IFRS.

VI. Finance Overview

(6) Condensed Income Statement (Consolidated) – Based on ROC GAAP

Unit: in thousand NT\$

Item \ Year	Financial Data for the Last Five Years (Note 1)				
	2012 (Note 3)	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	2016 (Note 2)
Operating Revenue	135,244,208	Reporting under IFRS; no GAAP figures available.			
Gross Profit	16,804,787				
Operating Profit	6,704,505				
Non-Operating Income	4,022,020				
Non-Operating Expenses	501,480				
Continuing Operating Income before Tax	10,225,045				
Continuing Operating Income	8,461,348				
Discontinued Operation Income	-				
Extraordinary Gain or Loss	-				
Cumulative Effect of Changes in Accounting Principles	-				
Consolidated Net Income	8,461,348				
Attributable to Consolidated Net Income	7,515,715				
Attributable to Minority Interest Income (Loss)	945,633				
Earnings Per Share (in New Taiwan dollars)	13.76				

Note 1: All of the financial data above for each fiscal year has been certified by CPA.

Note 2: IFRS has been applied since 2013; please refer to the statements prepared using IFRS.

Note 3: The earning per share in 2012 is NT\$13.76 based on the ROC GAAP, and is NT\$ 13.80 if based on IFRS (calculation based on IFRS is required by the R.O.C. Financial Supervisory Commission for all listed companies).

VI. Finance Overview

(7) Condensed Balance Sheet (Individual) – Based on ROC GAAP

Unit: in thousand NT\$

Year Item		Financial Data for the Last Five Years (Note 1)				
		2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	2016 (Note 2)
Current Assets		13,012,718	Reporting under IFRS; no GAAP figures available.			
Funds & Investments		19,831,164				
Fixed Assets (Note 2)		3,890,924				
Intangible Assets		-				
Other Assets		1,702,584				
Total Assets		38,437,390				
Current Liabilities	Before Distribution	6,608,508				
	After Distribution	11,524,121				
Long-Term Liabilities		-				
Other Liabilities		956,929				
Total Liabilities	Before Distribution	8,074,802				
	After Distribution	12,990,415				
Share Capital		5,461,792				
Capital Surplus		340,368				
Retained Earnings	Before Distribution	23,622,739				
	After Distribution	18,707,126				
Unrealized Gain or Loss On Financial Instruments		229,048				
Cumulative Translation Adjustments		181,212				
Net Loss Not Recognized as Pension Cost		(141,092)				
Total Shareholders ' Equity	Before Distribution	30,362,588				
	After Distribution	25,446,975				

Note 1: All of the financial data above for each fiscal year has been certified by CPA.

Note 2: IFRS has been applied since 2013; please refer to the statements prepared using IFRS.

VI. Finance Overview

(8) Condensed Income Statement (Individual) – Based on ROC GAAP

Unit: in thousand NT\$

Item \ Year	Financial Data for the Last Five Years (Note 1)				
	2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	2016 (Note 2)
Operating Revenue	89,662,324	Reporting under IFRS; no GAAP figures available.			
Gross Profit	7,357,363				
Operating Profit	3,807,755				
Non-Operating Income	4,751,180				
Non-Operating Expenses	79,929				
Continuing Operating Income before Tax	8,479,006				
Continuing Operating Income	7,515,715				
Discontinued Operation Income	-				
Extraordinary Gain or Loss	-				
Cumulative Effect of Changes in Accounting Principles	-				
Net Income or Loss for Current Period	7,515,715				
Earnings Per Share (in New Taiwan dollars)	13.76				

Note 1: All of the financial data above for each fiscal year has been certified by CPA.

Note 2: IFRS has been applied since 2013; please refer to the statement prepared using IFRS.

(9) Names and Opinions of Auditors for the Last Five Years

Year	CPA	Audit Opinion
2012	Hsiao, Chin-Mu Hsueh, Ming-Ling	Unqualified — Modified Wording
2013	Wu Yu-Lung Chang, Ming-Hui	Unqualified — Modified Wording
2014	Wu Yu-Lung Chou, Chien-Hung	Unqualified — Modified Wording
2015	Wu Yu-Lung Chou, Chien-Hung	Unqualified — Modified Wording
2016	Hsiao, Chin-Mu Chou, Chien-Hung	Unqualified — Emphasis of Matter Paragraphs and Other Matter Paragraphs
2017 Q1	Hsiao, Chin-Mu Chou, Chien-Hung	Qualified

Note: The financial report for the first quarter of 2017 has been reviewed by independent auditors. However, the profits and losses listed for partially-owned subsidiaries and the information in Note 13 have been reviewed by other auditors. Non-major subsidiaries, long-term investments under the equity method and the information in Note 13 are based on the unaudited financial statements of investees during the same period. Therefore, the independent auditors issued a qualified opinion report.

VI. Finance Overview

2. Financial Analysis for the Last Five Years

(1) Consolidated Financial Analysis – Based on IFRS

Item (Note) \ Year		Financial Analysis for the Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Financial Structure (%)	Debt Ratio	71.54	71.65	72.46	72.02	71.73	71.21
	Ratio of Long-Term Capital to Property, Plant and Equipment	162.03	168.27	172.24	183.29	207.73	231.68
Solvency (%)	Current Ratio	112.65	112.76	110.68	112.20	117.32	118.21
	Quick Ratio	98.38	98.72	100.50	101.17	102.33	106.37
	Interest Earned Ratio (times)	63.03	45.27	156.93	214.65	325.67	387.95
Operating Performance	Accounts Receivable Turnover (times)	2.53	2.27	2.16	1.87	1.78	1.62
	Average Collection Period	144	161	169	195	205	225
	Inventory Turnover (times)	17.56	16.58	20.47	23.47	18.33	17.37
	Accounts Payable Turnover (times)	24.60	20.49	24.64	25.35	17.48	17.20
	Average Days in Sales	21	22	18	16	20	21
	Property, Plant and Equipment Turnover (times)	4.87	4.59	4.55	4.45	4.99	4.90
	Total Assets Turnover (times)	1.24	1.14	1.13	1.03	1.01	0.91
Profitability	Return on Total Assets (%)	7.70	6.89	7.29	6.99	7.06	1.91
	Return On Equity (%)	25.87	23.70	25.94	25.06	25.03	6.68
	Pre-Tax Income to Paid-In Capital (%)	187.72	193.55	223.89	242.06	266.35	75.74
	Profit Ratio (%)	6.13	5.89	6.42	6.78	6.99	8.34
	Earnings Per Share (NT\$)	13.8	14.01	16.84	17.90	19.66	5.75
Cash Flow	Cash Flow Ratio (%)	-	18.82	9.35	15.51	12.64	9.23
	Cash Flow Adequacy Ratio (%)	36.72	37.60	28.60	42.50	48.70	63.37
	Cash Reinvestment Ratio (%)	-	13.89	1.45	11.69	8.35	10.11
Leverage	Operating Leverage	1.37	1.47	1.45	1.43	1.42	1.43
	Financial Leverage	1.03	1.03	1.01	1.01	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Interest earned ratio increased by 52%: mainly due to the increase in pre-tax income.
2. Inventory turnover decreased by 22%: mainly due to increased average inventory.
3. Average days in sales increased by 25%: mainly due to decrease in inventory turnover.
4. Accounts payable turnover dropped by 31%: mainly due to increase in average accounts payable.
5. Cash reinvestment ratio declined by 29%: mainly due to reduced net cash inflow from operating activities.

VI. Finance Overview

(2) Individual Financial Analysis-Based on IFRS

Item(Note) \ Year		Financial Analysis for the Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Financial Structure (%)	Debt Ratio	22.11	26.27	19.36	22.61	24.80	N/A
	Ratio of Long-Term Capital to Property, Plant And Equipment	817.89	900.20	984.30	1103.10	1201.14	
Solvency (%)	Current Ratio	191.04	143.00	107.54	129.77	140.96	
	Quick Ratio	165.72	118.27	92.14	111.43	89.83	
	Interest Earned Ratio (times)	348.06	369.82	367.50	473.77	616.86	
Operating Performance	Accounts Receivable Turnover (times)	66.75	53.46	69.14	87.99	69.20	
	Average Collection Period	5	7	5	4	5	
	Inventory Turnover (times)	43.50	43.94	57.14	70.22	28.06	
	Accounts Payable Turnover (times)	24.37	18.30	22.73	23.5	15.32	
	Average Days in Sales	8	8	6	5	13	
	Property, Plant and Equipment Turnover (times)	23.80	24.39	27.35	27.43	29.76	
	Total Assets Turnover (times)	2.42	2.26	2.34	2.15	2.04	
Profitability	Return on Total Assets (%)	20.48	18.38	20.78	20.68	19.88	
	Return on Equity (%)	26.37	24.23	26.87	26.16	26.05	
	Pre-Tax Income to Paid-In Capital (%)	155.59	160.78	186.94	203.85	224.07	
	Profit Ratio (%)	8.44	8.11	8.85	9.59	9.73	
	Earnings Per Share (NT\$)	13.8	14.01	16.84	17.90	19.66	
Cash Flow	Cash Flow Ratio (%)	65.49	74.58	86.93	94.69	49.92	
	Cash Flow Adequacy Ratio (%)	95.61	101.01	83.40	99.95	83.11	
	Cash Reinvestment Ratio (%)	0.40	7.50	-	9.26	-	
Leverage	Operating Leverage	1.29	1.24	1.23	1.22	1.20	
	Financial Leverage	1.01	1.01	1.01	1.00	1.00	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Interest earned ratio increased by 30%: mainly due to higher pre-tax income.
2. Accounts receivable turnover decreased by 21%: mainly due to rise in average balance of accounts receivable.
3. Average collection period increased by 25%: mainly due to decline in accounts receivable turnover.
4. Inventory turnover declined by 60%: mainly due to increased average inventory.
5. Average days in sales increased by 160%: mainly due to decline in inventory turnover.
6. Accounts payable turnover declined by 35%: mainly due to higher average accounts payable.
7. Cash flow ratio decreased by 47%: mainly due to lower net cash inflow from operating activities.
8. Cash reinvestment ratio decreased: mainly due to decline in net cash inflow from operating activities.

VI. Finance Overview

Note: The IFRS formulas for calculating the financial ratios are as follows:

1. Financial Structure

- (1) Debt Ratio = $\text{total liabilities} / \text{total assets}$
- (2) Ratio of Long-Term Capital to Property, Plant and Equipment = $(\text{total equity} + \text{non-current liabilities}) / \text{net property, plant and equipment}$

2. Solvency

- (1) Current Ratio = $\text{current assets} / \text{current liabilities}$
- (2) Quick Ratio = $(\text{current assets} - \text{inventory} - \text{prepaid expenses}) / \text{current liabilities}$
- (3) Interest Earned Ratio = $\text{net income before tax and interest expenses} / \text{interest expenses}$

3. Operating Performance

- (1) Accounts Receivable Turnover (including accounts receivable and notes receivable generated from business operations) = $\text{net sales} / \text{average balance of accounts receivable (including accounts receivable and notes receivable generated from business operations)}$
- (2) Average Collection Period = $365 / \text{accounts receivable turnover}$
- (3) Inventory Turnover = $\text{cost of goods sold} / \text{average inventory}$
- (4) Accounts Payable Turnover (including accounts payable and notes payable generated from business operations) = $\text{cost of goods sold} / \text{average balance of accounts payable (including accounts payable and notes payable generated from business operations)}$
- (5) Average Days in Sales = $365 / \text{inventory turnover}$
- (6) Property, Plant and Equipment Turnover = $\text{net sales} / \text{average net property, plant and equipment}$
- (7) Total Assets Turnover = $\text{net sales} / \text{average total assets}$

4. Profitability

- (1) Return on Total Assets = $[\text{profit after tax} + \text{interest expenses} * (1 - \text{effective tax rate})] / \text{average total assets}$
- (2) Return on Equity = $\text{profit after tax} / \text{average total equity}$
- (3) Profit Ratio = $\text{profit after tax} / \text{net sales}$
- (4) Earning Per Share = $(\text{equity attributable to shareholders of parent} - \text{preferred stock dividend}) / \text{weighted average of issued shares}$

5. Cash Flow

- (1) Cash Flow Ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$
- (2) Cash Flow Adequacy Ratio = $(\text{net cash flow from operating activities for the last five years} / (\text{capital expenditure} + \text{increase in inventory} + \text{cash dividend}) \text{ for the last five years})$
- (3) Cash Reinvestment Ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

- (1) Operating Leverage = $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$
- (2) Financial Leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$

VI. Finance Overview

(3) Consolidated Financial Analysis – Based on ROC GAAP

Item (Note) \ Year			Financial Analysis for the Last Five Years				
			2012	2013	2014	2015	2016
Financial Structure (%)	Debt Ratio		71.10	Reporting under IFRS; no GAAP figures available.			
	Ratio of Long-Term Capital to Fixed Assets		126.03				
Solvency (%)	Current Ratio		112.54				
	Quick Ratio		97.79				
	Interest Earned Ratio (times)		39.11				
Operating Performance	Accounts Receivable Turnover (times)		2.48				
	Average Collection Period		147.00				
	Inventory Turnover (times)		16.49				
	Accounts Payable Turnover (times)		23.78				
	Average Days in Sales		22.00				
	Fixed Assets Turnover (times)		4.52				
	Total Assets Turnover (times)		1.12				
Profitability	Return on Total Assets (%)		6.90				
	Return on Shareholders' Equity (%)		22.73				
	Ratio to Issued Capital (%)	Operating Income	122.75				
		Pre-Tax Income	187.21				
	Profit Ratio (%)		5.56				
	Earnings Per Share (NT\$)		13.76				
Cash Flow	Cash Flow Ratio (%)		-				
	Cash Flow Adequacy Ratio (%)		37.37				
	Cash Reinvestment Ratio (%)		-				
Leverage	Operating Leverage		1.41				
	Financial Leverage		1.04				

VI. Finance Overview

(4) Individual Financial Analysis – Based on ROC GAAP

Item (Note) \ Year			Financial Analysis for the Last Five Years				
			2012	2013	2014	2015	2016
Financial Structure (%)	Debt Ratio		21.01	Reporting under IFRS; no GAAP figures available.			
	Ratio of Long-Term Capital to Fixed Assets		780.34				
Solvency (%)	Current Ratio		196.91				
	Quick Ratio		170.60				
	Interest Earned Ratio (times)		347.29				
Operating Performance	Accounts Receivable Turnover (times)		67.04				
	Average Collection Period		5.00				
	Inventory Turnover (Times)		43.43				
	Accounts Payable Turnover (times)		24.33				
	Average Days in Sales		8.00				
	Fixed Assets Turnover (times)		23.04				
	Total Assets Turnover (times)		2.33				
	Profitability	Return on Total Assets (%)					20.64
Return on Shareholders' Equity (%)		26.08					
Ratio to Issued Capital (%)		Operating Income	69.72				
		Pre-Tax Income	155.24				
Profit Ratio (%)		8.38					
Earnings Per Share (NT\$)		13.76					
Cash Flow	Cash Flow Ratio (%)		79.57				
	Cash Flow Adequacy Ratio (%)		99.31				
	Cash Reinvestment Ratio (%)		2.76				
Leverage	Operating Leverage		1.77				
	Financial Leverage		1.01				

VI. Finance Overview

Note: The ROC GAAP formulas for calculating the financial ratios are as follows:

1. Financial Structure

(1) Debt Ratio = total liabilities/total assets

(2) Ratio of Long-Term Capital to Fixed Assets = (net shareholder's equity + long-term liabilities)/net fixed assets

2. Solvency

(1) Current Ratio = current assets/current liabilities

(2) Quick Ratio = (current assets – inventory – prepaid expenses)/current liabilities

(3) Interest Earned Ratio = net income before tax and interest expenses/interest expenses

3. Operating Performance

(1) Accounts Receivable Turnover (including accounts receivable and notes receivable generated from business operations) = net sales/average balance of accounts receivable (including accounts receivable and notes receivable generated from business operations)

(2) Average Collection Period = 365/accounts receivable turnover

(3) Inventory Turnover = cost of goods sold/average inventory

(4) Accounts Payable Turnover (including accounts payable and notes payable generated from business operations) = costs of goods sold/average balance of accounts payable (including accounts payable and notes payable generated from business operations)

(5) Average Days in Sales = 365/inventory turnover

(6) Fixed Assets Turnover = net sales/average net fixed assets

(7) Total Assets Turnover = net sales/average total assets

4. Profitability

(1) Return on Total Assets = [profit after tax + interest expenses*(1- effective tax rate)]/average total assets

(2) Return on Shareholders' Equity = profit after tax/average net shareholders' equity

(3) Profit Ratio = profit after tax/net sales

(4) Earning per Share = (profit after tax - preferred stock dividend)/weighted average of issued shares

5. Cash Flow

(1) Cash Flow Ratio = net cash flow from operating activities/current liabilities

(2) Cash Flow Adequacy Ratio = (net cash flow from operating activities for the last five years/(capital expenditure + increase in inventory + cash dividend) for the last five years

(3) Cash Reinvestment Ratio = (net cash flow from operating activities - cash dividend)/(gross fixed assets + long-term investments + other assets + working capital)

6. Leverage:

(1) Operating Leverage = (net operating revenue – variable operating costs and expenses)/operating income

(2) Financial Leverage = operating income/(operating income - interest expenses)

VI. Finance Overview

3. The Audit Committee report regarding the most recent annual financial report

Audit Committee Report

To: The 2017 Annual General Shareholders' Meeting of Hotai Motor Company Limited (the "Company")

The Board of Directors has prepared and submitted important financial documents to the Audit Committee, including the 2016 Business Report, audited Financial Statements, and proposal for allocation of profit. The Financial Statements were audited by PricewaterhouseCoopers Taiwan, an independent registered public accounting firm retained by the Company, which issued an audit report based on their review.

As the Audit Committee of the Company, we have reviewed the Business Report, audited Financial Statements, and profit allocation proposal and found them to be correct and accurate. We hereby issue this report pursuant to Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act of the Republic of China.

Independent Directors : Chen, Ji-Jhen

Supervisors : Wu, Shih-Hao

Supervisors : Su, Chin-Huo

March 28, 2017

**HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015**

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015
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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, 2016, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Ho Tai Motor Co., Ltd.

March 28, 2017

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

PWCR16000311

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Description

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

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

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

How our audit addressed the matter

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

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

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

Valuation of the provisions for warranty

Description

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

How our audit addressed the matter

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

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

Emphasis of matter - acquisition after balance sheet date

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

Other matter – Using the work of other independent accountants

We did not audit the financial statements of investments recognized under the equity method that are included in the financial statements. Investments using equity methods amounted to NT\$ 5,189,047 and NT\$ 5,067,014 on December 31, 2016 and 2015, constituting 2.90% and 3.10% of consolidated total assets, respectively. For the year ended December 31, 2016 and 2015, the comprehensive income amounted to NT\$ 308,221 thousand and NT\$ 306,437

thousand on December 31, 2016 and 2015, constituting 2.67% and 2.83% of consolidated total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

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

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

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

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

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

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

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

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

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

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

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

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

CHIN-MU, HSIAO

CHIEN-HUNG, CHOU

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

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

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

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

(Continued)

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

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

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

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

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)

	Items	Notes	2016		2015	
			Amount	%	Amount	%
	Other comprehensive income (loss) for the year, net of tax					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive loss		\$ 7,937	-	(\$ 64,585)	-
8310	Total components of other comprehensive loss that will not be reclassified to profit or loss		<u>7,937</u>	<u>-</u>	<u>(\$ 64,585)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(350,807)	-	(29,925)	-
8362	Unrealized gain (loss) from available-for-sale financial assets	6(3)	20,345	-	(93,334)	-
8363	Gain (loss) on effective portion of cash flow hedges	6(4)	(11,839)	-	13,905	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method - components of other comprehensive income		(179,996)	-	106,280	-
8399	Income tax related to components of other comprehensive income	6(29)	<u>1,394</u>	<u>-</u>	<u>(2,364)</u>	<u>-</u>
8360	Total components of other comprehensive loss that will be reclassified to profit or loss		<u>(520,903)</u>	<u>-</u>	<u>(5,438)</u>	<u>-</u>
8300	Other comprehensive loss for the year, net of tax		<u>(\$ 512,966)</u>	<u>-</u>	<u>(\$ 70,023)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 11,545,933</u>	<u>7</u>	<u>\$ 10,812,470</u>	<u>7</u>
	Profit attributable to:					
8610	Owners of parent		\$ 10,740,039	6	\$ 9,776,591	6
8620	Non-controlling interests		<u>1,318,860</u>	<u>1</u>	<u>1,105,902</u>	<u>1</u>
			<u>\$ 12,058,899</u>	<u>7</u>	<u>\$ 10,882,493</u>	<u>7</u>
	Comprehensive income attributable to:					
8710	Owners of parent		\$ 10,301,281	6	\$ 9,706,323	6
8720	Non-controlling interests		<u>1,244,652</u>	<u>1</u>	<u>1,106,147</u>	<u>1</u>
			<u>\$ 11,545,933</u>	<u>7</u>	<u>\$ 10,812,470</u>	<u>7</u>
	Earnings per share (in dollars)	6(30)				
9750	Basic earnings per share		<u>\$ 19.66</u>		<u>\$ 17.90</u>	
9850	Diluted earnings per share		<u>\$ 19.65</u>		<u>\$ 17.89</u>	

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

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

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

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

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

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

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

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

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

2017 are as follows:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

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

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

New and revised standards, interpretations and amendments issued by IASB but not yet included in

the IFRSs endorsed by the FSC effective from 2017 are as follows:

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

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendment to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendment to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

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

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

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

B. IFRS 15, 'Revenue from contracts with customers'

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging for the goods or services to be provided); and determine whether the revenue from granting a licence should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same

for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 7, 'Disclosure initiative'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial

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

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

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

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

E. Significant restrictions: None.

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

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

Group and respective subsidiaries is as follows:

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

Summarized financial information of the subsidiaries:

Balance sheets

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

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

Statements of comprehensive income

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

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

Statements of cash flows

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

(5) Classification of current and non-current items

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

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category

or not classified in any of the other categories.

- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(9) Accounts receivable

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

(10) Impairment of financial assets

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

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

(a) Financial assets measured at amortized cost

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

(b) Available-for-sale financial assets

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

(11) Derecognition of financial assets

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

(12) Lease receivables/ operating leases (lessor)

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

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

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

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

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate using IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment

are as follows:

Buildings and structures	5 ~ 50 years
Utility equipment	5 ~ 10 years
Office equipment	2 ~ 20 years
Machinery and equipment	4 ~ 10 years
Rental assets	2 ~ 10 years
Leasehold improvements	4 ~ 35 years

(16) Operating leases (lessee)

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

(17) Investment property

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

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

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract

is discharged or cancelled or expires.

(23) Bonds payable

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

(24) Financial guarantee contracts

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

(25) Derivative financial instruments and hedging activities

- A. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.
- B. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).
- C. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.
- E. Cash flow hedge
 - (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within 'other gains and losses'.
 - (b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of comprehensive income within 'finance costs'.
 - (c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was

reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(26) Provisions

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

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

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

D. Employees' compensation and directors' and supervisors' remuneration

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

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(29) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(30) Dividends

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

(31) Revenue recognition

A. Sales of goods

- (a) The Group sells vehicles and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- (b) The Group has customer loyalty programmes where the Group grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.
- (c) Engagement of installment payments for vehicles - the subsidiary, Hotai Finance Co., Ltd. engages in installment sales which mainly aims to receive interest income rather gross profit. There is no gross profit from such transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when the transaction occurs. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, and interest is recognized using interest method annually over the installment period. Furthermore, the commission expense related to installment payments is deferred (shown under 'prepayments') and amortized over the term

of the installment payments. Other related cost is recognized as current expenses when incurred.

B. Sales of services

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

C. A sale agreement comprising of multiple components

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

(32) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Provisions for warranty

To provide vehicle owners more complete after-sales service and dependable quality, in addition to 3-year or 100 thousand-kilometer limited warranty offered by original manufacturer, the Company provides extra 4th year or 20 thousand-kilometer limited warranty for all vehicles in the Toyota and Lexus line-up. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by

model year, and is revaluated on a regular basis. Please refer to Note 6(18) “Provisions” for more information.

C. Doubtful accounts valuation of accounts receivable

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

A. The Group recognized net gain of \$83,359 and loss of \$58,721 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

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

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	Contract amount (Notional principal) (in thousands)	Contract period	Contract amount (Notional principal) (in thousands)	Contract period
<u>Derivative instruments</u>				
Current items:				
Forward foreign exchange contracts	2016.10.17 USD 252,300 ~2017.3.14		2015.10.20 USD 176,790 ~2016.3.14	

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

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

(3) Available-for-sale financial assets

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

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

(4) Hedge accounting

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

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

B. Cash flow hedges

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

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

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

(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in other comprehensive

income as of December 31, 2016 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.

- (c) As of December 31, 2015, the fixed interest rates on interest rate swaps ranged between 0.993%~1.085%, and the above floating interest rate swaps were Libor/Tibor six months.
- (d) Information about gain or loss arising from cash flow hedges recognized in profit or loss and other comprehensive income:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Inventories

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

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

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

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

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

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

(7) Prepayments

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

(8) Investments accounted for using equity method

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

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

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive income for the period	<u>\$ 8,795,715</u>	<u>\$ 9,338,410</u>

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

(9) Property, plant and equipment

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

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

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

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

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

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

(10) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 283,193	\$ 395,142	\$ 678,335
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(183,440)	(183,440)
	<u>\$ 585,016</u>	<u>\$ 211,702</u>	<u>\$ 796,718</u>
<u>2016</u>			
Opening net book amount	\$ 585,016	\$ 211,702	\$ 796,718
Additions	-	2,166	2,166
Reclassifications	64,813	57,520	122,333
Depreciation	-	(8,959)	(8,959)
Closing net book amount	<u>\$ 649,829</u>	<u>\$ 262,429</u>	<u>\$ 912,258</u>
<u>At December 31, 2016</u>			
Cost	\$ 322,035	\$ 489,412	\$ 811,447
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(226,983)	(226,983)
	<u>\$ 649,829</u>	<u>\$ 262,429</u>	<u>\$ 912,258</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 42,657	\$ 262,946	\$ 305,603
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(120,411)	(120,411)
	<u>\$ 344,480</u>	<u>\$ 142,535</u>	<u>\$ 487,015</u>
<u>2015</u>			
Opening net book amount	\$ 344,480	\$ 142,535	\$ 487,015
Additions	-	373	373
Reclassifications	240,536	75,663	316,199
Depreciation	-	(6,869)	(6,869)
Closing net book amount	<u>\$ 585,016</u>	<u>\$ 211,702</u>	<u>\$ 796,718</u>
<u>At December 31, 2015</u>			
Cost	\$ 283,193	\$ 395,142	\$ 678,335
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(183,440)	(183,440)
	<u>\$ 585,016</u>	<u>\$ 211,702</u>	<u>\$ 796,718</u>

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

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

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

(11) Other non-current assets

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

(12) Short-term loans

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

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

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

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

- (a) Current ratio: At least 90%
- (b) Ratio of self-owned capital: At least 7%
- (c) Interest coverage ratio: At least 120%
- (d) Net value: At least \$3.5 billion

(13) Short-term notes and bills payable

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

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Bonds payable	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

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

(15) Long-term loans

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

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

- (a) Debt ratio: 15 times
- (b) Interest coverage ratio (excluding depreciation): At least 1.5 times
- (c) Net value: At least \$1 billion

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

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

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

(16) Other payables

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

(17) Pensions

Defined contribution pension plan

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

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

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

(18) Provisions

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

Analysis of total provisions:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current	\$ <u>1,101,965</u>	\$ <u>1,320,472</u>
Non-current	\$ <u>1,215,372</u>	\$ <u>1,056,213</u>

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

(19) Other non-current liabilities

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

(20) Share capital

As of December 31, 2016, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2016 and December 31, 2016 was both 546,179,184 shares.

(21) Capital surplus

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

(22) Retained earnings

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

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

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

- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The Company recognized dividends distributed to shareholders amounting to \$6,554,150 (NT\$12.0 per share) and \$5,734,881 (NT\$10.5 per share) for the years ended December 31, 2016 and 2015, respectively. On March 28, 2017, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2016 was \$6,554,150 (NT\$12.0 per share).
- E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(28).

(23) Operating revenue

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

(24) Operating cost

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

(25) Other income

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

(26) Other gains and losses

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

(27) Expenses by nature

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

(28) Employee benefit expense

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

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' remuneration and directors' and supervisors' remuneration. The percentage shall be 1% for employees' remuneration and shall not be higher than 2% (3% for the year 2015) for directors' and supervisors' remuneration. Independent directors will not receive any distributable profit. If a company has accumulated deficit, earnings should be channeled to cover losses.

B. For the years ended December 31, 2016 and 2015, employees' remuneration was accrued at \$126,169 and \$115,976, respectively; while directors' and supervisors' remuneration was accrued at \$252,338 and \$347,927, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the year ended December 31, 2016. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$126,169 and \$252,338, and the employees' compensation will be distributed in the form of cash.

Employees' remuneration and directors' and supervisors' remuneration of 2015 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2015 financial

statements.

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

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flow hedges	(\$ 1,394)	\$ 2,364

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

December 31, 2016

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

December 31, 2015

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

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

F. Unappropriated earnings:

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

G. Integrated income tax system:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Balance of the imputation tax credit account	<u>\$ 4,063,805</u>	<u>\$ 3,398,334</u>
	<u>2016 (estimated)</u>	<u>2015 (actual)</u>
Tax deduction rate of earnings distribution	<u>15.48%</u>	<u>20.13%</u>

The tax deduction ratio for 2016 was estimated based on the balance of the imputation tax credit account as of December 31, 2016. The Company determines the amount of imputation tax credit distributed to shareholders based on the balance of the imputation tax credit account at the date of share dividend distribution. Therefore, all imputation tax credits are subject to appropriate

adjustments in accordance with the Income Tax Act prior to the date of dividend or earnings appropriation, in order to calculate the aforementioned tax deduction ratio on earnings generated in and after 1998.

(30) Earnings per share

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	<u>\$ 10,740,039</u>	<u>546,179</u>	<u>\$ 19.66</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 10,740,039	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' bonus	<u>-</u>	<u>421</u>	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	<u>\$ 10,740,039</u>	<u>546,600</u>	<u>\$ 19.65</u>
	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	<u>\$ 9,776,591</u>	<u>546,179</u>	<u>\$ 17.90</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 9,776,591	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' bonus	<u>-</u>	<u>401</u>	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	<u>\$ 9,776,591</u>	<u>546,580</u>	<u>\$ 17.89</u>

(31) Operating leases

A. Lessor

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

Total future notes receivable for rents are as follows:

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

B. Lessee

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

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

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

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

Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are shown in table 5 of Note 13(1)

Significant transactions information.

	Years ended December 31,	
	2016	2015
(b) Interest income:		
-Associates	\$ 50,866	\$ 53,331
Interest income is interest arising from sales between transaction dates and collection dates. Starting from July 3, 2016, the annual interest rate was adjusted to 2.275%. The annual interest rate along with interest accruing on a daily basis is 2.525% for the year ended December 31, 2015.		
	Years ended December 31,	
	2016	2015
(c) Subsidy income for price difference from installments:		
-Associates	\$ 315,990	\$ 358,146
	Years ended December 31,	
	2016	2015
(d) Rental revenue:		
-Associates	\$ 100,820	\$ 85,680
-Entities controlled by key management	4,549	2,622
	\$ 105,369	\$ 88,302
The Company entered into rental contracts based on normal conditions with related parties and collects rents monthly based on the contracts.		
	Years ended December 31,	
	2016	2015
(e) Contracted operating revenue (listed as operating revenue)		
-Associates	\$ 25,756	\$ 26,233
	Years ended December 31,	
	2016	2015
(f) Warranty revenue (shown as deductions to warranty costs)		
-Associates	\$ 333,866	\$ 169,239
-Entities controlled by key management	522,405	333,655
	\$ 856,271	\$ 502,894

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

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

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

B. Expenditures

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

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

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

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

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from July 3, 2016, the annual interest rate was adjusted to 1.875%. The annual interest rate along with interest accruing on a daily basis is 2.125% for the year ended December 31, 2015.

	Years ended December 31,	
	2016	2015
(c) Rental expense:		
-Associates	\$ <u>18,071</u>	\$ <u>18,980</u>

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

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

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

C. Receivables from (payables to) related parties

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

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

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

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

D. Property transactions

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

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

(b) Disposal of other assets:

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

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

(2) Key management remuneration

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

8. PLEDGED ASSETS

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

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

Note: Shown as 'other current assets'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

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

Type of contracts	Party involved	Contract period	Main contents
<u>The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2016 to December 31, 2018 (Toyota)	Sales of imported or domestic models, parts and assessories of Toyota and Hino in Taiwan.
		January 1, 2016 to December 31, 2018 (Lexus)	
	Hino Motors, Ltd.	April 1, 2016 to March 31, 2021 (Hino)	
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2015 to May 14, 2018	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd. 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.
<u>Chang Yuan Motor Co., Ltd.</u>			
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.
<u>Toyota Material Handling Taiwan Ltd.</u>			
Distributor agreement	Toyota Industries Corporation	April 1, 2014 to March 31, 2017	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The subsidiary, Hozan Investment Co., Ltd., has acquired 99.8% equity of Zurich Insurance (Taiwan) Ltd. amounting to \$6,831,887 in January 2017. The amortisation of investment cost and net equity, and recognition of goodwill will be disclosed after the valuation report has been issued. The Company has elected the new Board of Directors at the stockholders' meeting and has resolved to rename the company as Hotai Insurance Co., Ltd. It has been approved by the authority and renamed effective since March 1, 2017.
- (2) For the appropriation of retained earnings of 2016, please refer to Note 6(22).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (please refer to Notes 6(2) and 6(4)).
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the finance departments of companies within the Group. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group enters into forward exchange contracts, through finance departments of companies within the Group. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016				December 31, 2015			
	Foreign currency amount		Exchange rate	Book value	Foreign currency amount		Exchange rate	Book value
	(In thousands)			(NTD)	(In thousands)			(NTD)
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	6,189	32.2500	\$ 199,595	USD	2,947	32.8250	\$ 96,735
JPY:NTD	JPY	143,388	0.2756	39,518	JPY	110,176	0.2727	30,045
RMB:NTD	CNY	7,753	4.6406	35,979	CNY	49	5.0550	248
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	320,414	32.2500	\$ 10,333,352	USD	273,303	32.8250	\$ 8,971,171
JPY:NTD	JPY	3,164,471	0.2756	872,128	JPY	3,150,709	0.2727	859,198
USD:RMB (Note)	USD	15,000	6.9495	483,750	USD	15,000	6.4936	492,375

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

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

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

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

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

Price risk and interest rate risk

- The Company's and the subsidiaries' financial assets at fair value through profit or loss and available-for-sale financial assets are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.
- The borrowings of the subsidiaries, Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd. and Hoyun Leasing International Limited, are partially held at fixed rates so it has certain market risk. For the position held at the balance sheet date, if market interest rates had been 1% higher/lower, fair value of the borrowings would have been \$841,583 higher/lower.

(b)Credit risk

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

financial institutions, only independently rated parties with optimal ratings are accepted.

- ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting period and management does not expect any significant losses from non-performance by these counterparties.
- iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of December 31, 2016 and 2015, HFC has financial instruments with off-balance-sheet credit risk amounting to \$10,687,846 and \$13,467,878, respectively, and HFC has collected notes for installment payment on behalf of the banks. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as ‘other current liabilities’.
- iv. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(5).

(c) Liquidity risk

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

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

December 31, 2016

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

December 31, 2015

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

Derivative financial liabilities:

December 31, 2016

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Cross Currency swaps	\$ -	\$ 56,072	\$ -

December 31, 2015

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Interest rate swaps	\$ 763	\$ -	\$ -
Cross Currency swaps	-	16,161	-

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2). Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

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

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as of December 31, 2016 and 2015 is as follows:

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

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

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

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

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

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.
- (d) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

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

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

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

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

	<u>Fair value at December 31, 2016</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 263,422	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

	<u>Fair value at December 31, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 300,222	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other

comprehensive income would not have been significantly impacted as of December 31, 2016 and 2015.

(4) Financial statement presentation

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

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows:

A. Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- (i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of December 31, 2016:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Contract Period	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 252,300	2017.1.13~2017.3.14	\$ 126,282	\$ 126,282
Hotai Finance Co., Ltd.	Currency swaps	USD 141,000	2017.4.11~2018.9.18	36,439	36,439
Hotai Finance Co., Ltd.	Currency swaps	JPY 3,100,000	2018.9.18	2,720	2,720

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

B. Information on investees

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

C. Information on investments in Mainland China

(a) Basic information: Please refer to table 9.

(b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

- i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- iii. The amount of property transactions and the amount of the resulting gains or losses: None.
- iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.
- v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds : Please refer to table 1.
- vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

14. SEGMENT INFORMATION

(1) General information

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

- A. Distributor of Toyota and Hino products segments: distributor for sales of Toyota and Hino vehicles, parts and other products to dealers. This segment is refers to Ho Tai Motor Co., Ltd. As of December 31, 2016, the Company's self-owned capital ratio was 75%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

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

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

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

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

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

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

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

(4) Reconciliation for segment income (loss)

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

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

(5)Information on products and services

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

Details of revenue balance are as follows:

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

(6)Geographical information

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

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

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

(7)Major customer information

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

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

Year ended December 31, 2016

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

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		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	Yes	\$ 244,053	\$ 204,187	\$ 75	2.15%	Short-term financing	-	Operations	\$ -	-	None	\$ -	\$ 246,178	\$ 246,178	
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	376,248	232,031	-	2.15%	"	-	"	-	-	"	-	296,450	296,450	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	116,942	102,094	10	2.15%	"	-	"	-	-	"	-	146,554	146,554	
4	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	106,773	83,531	4,040	2.15%	"	-	"	-	-	"	-	106,369	106,369	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	564,372	510,468	27	2.15%	"	-	"	-	-	"	-	417,038	417,038	
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	49,742	46,406	-	2.15%	"	-	"	-	-	"	-	135,467	135,467	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	345,742	297,000	12	2.15%	"	-	"	-	-	"	-	240,569	240,569	
8	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	244,053	222,750	335	2.15%	"	-	"	-	-	"	-	233,106	233,106	
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	45,760	41,766	-	2.15%	"	-	"	-	-	"	-	91,059	91,059	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	10,169	6,961	4,869	2.15%	"	-	"	-	-	"	-	179,182	179,182	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	79,587	74,250	-	2.15%	"	-	"	-	-	"	-	209,789	209,789	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	"	99,483	92,812	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	"	223,838	208,828	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	"	177,955	125,297	6,820	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	"	127,111	69,609	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	"	198,967	185,625	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	223,838	208,828	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	"	198,967	185,625	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	"	223,838	208,828	-	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	"	137,280	116,016	36,764	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	"	167,786	153,141	106,885	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	
12	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	"	24,871	23,203	5,986	4.35%	"	-	"	-	-	"	-	3,185,624	6,371,248	

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/guarantor	Company name	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company		Footnote
												to subsidiary	to parent company	
					\$	\$	\$	\$	\$		\$	Y	N	Mainland China
0	Ho Tai Motor Co., Ltd.		Subsidiary	Hozan Investment Co., Ltd.	12,931,873	7,828,544	7,828,544	-	-	18.16%	21,553,121	Y	N	Note 1
0	Ho Tai Motor Co., Ltd.		An indirect wholly-owned subsidiary	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	12,931,873	635,993	338,625	-	-	0.79%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Shanghai Heling Motor Service Co., Ltd.	12,931,873	567,501	351,525	-	-	0.82%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Shanghai Hoyo Motor Service Co., Ltd.	12,931,873	342,458	258,000	-	-	0.60%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	12,931,873	472,918	274,125	-	-	0.64%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Shanghai Hozhan Motor Service Co., Ltd.	12,931,873	342,458	193,500	-	-	0.45%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	12,931,873	782,760	403,125	-	-	0.94%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	12,931,873	260,920	177,375	-	-	0.41%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	12,931,873	391,380	274,125	-	-	0.64%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	12,931,873	97,845	48,375	5,986	-	0.11%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	12,931,873	635,993	354,750	-	-	0.82%	21,553,121	Y	N	"
0	Ho Tai Motor Co., Ltd.		"	Tianjin Hozhan Motor Service Co., Ltd.	12,931,873	538,148	274,125	-	-	0.64%	21,553,121	Y	N	"
1	Hotal Finance Co., Ltd.		Subsidiary	Hoyun International Lease Co., Ltd.	8,571,469	1,494,288	300,469	300,469	-	3.51%	8,571,469	Y	N	Note 2

公司之資產總額或淨資產總額之百分之十或該被擔保公司之資產總額或淨資產總額之百分之十，以兩者之較高者為準。本公司之資產總額或淨資產總額之百分之十或該被擔保公司之資產總額或淨資產總額之百分之十，以兩者之較高者為準。本公司之資產總額或淨資產總額之百分之十或該被擔保公司之資產總額或淨資產總額之百分之十，以兩者之較高者為準。

Net value is based on the amount included in the latest filing of financial statements and report of independent accounts.

Ho Tai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2016

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

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account		As of December 31, 2016				Foot
			Available-for-sale financial assets - non-current	"	Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock – Mega Financial Holding Company	None	"	"	20,617,157	\$ 474,195	0.17%	\$ 474,195	
	-Shihlin Electric & Engineering Corporation Etc.	None	"	"	-	88,678	0.00%~0.42%	\$ 88,678	
	Taian Insurance Co., Ltd. Etc.	-	"	"	-	224,011	0.04%~3.10%	224,011	
	Beneficiary certificates								
	-CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	"	45,809,780	\$ 500,000	-	\$ 500,032	
	-Mega Diamond Money Market Fund	Not applicable	"	"	48,320,591	600,000	-	600,059	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	"	"	48,872,129	500,000	-	500,104	
	-Jih Sun Money Market Fund	Not applicable	"	"	20,454,917	300,000	-	300,067	
	-FSITC Taiwan Money Market Fund	Not applicable	"	"	19,809,957	300,000	-	300,073	
	-Nomura Taiwan Money Market Fund	Not applicable	Valuation adjustment of financial assets	"	30,936,957	500,000	-	500,031	
Hozan Investment Co., Ltd.			Total		366	-		-	
	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	"	-	\$ 2,700,366	0.50%	\$ 2,700,366	
	Beneficiary certificates					2,767		\$ 2,767	
	-Prudential Financial Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	"	18,542,659	\$ 290,028	-	\$ 290,404	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Valuation adjustment of financial assets	"	2,248,048	23,000	-	23,004	
Chang Yuan Motor Co., Ltd.			Total		-	380		-	
	Beneficiary certificates					313,408		\$ 313,408	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	"	16,616,816	\$ 170,000	-	\$ 170,038	
	-Mega Diamond Money Market Fund	Not applicable	Valuation adjustment of financial assets	"	30,607,007	380,000	-	380,087	
Toyota Material Handling Taiwan Ltd.			Total		-	125		-	
	Beneficiary certificates					\$ 550,125		\$ 550,125	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	"	34,196,730	\$ 348,092	-	\$ 349,932	
	Beneficiary certificates					1,840			
Carmax Co., Ltd.			Total		-	\$ 349,932		\$ 349,932	
	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	"	-	3,197	0.06%~0.50%	\$ 3,197	
	Beneficiary certificates								
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	"	33,584,671	343,000	-	\$ 343,669	
Ho Tai Development Co., Ltd.			Total		-	669		-	
	Stock - First Financial Holding Co. Ltd.		Valuation adjustment of financial assets	"	-	\$ 343,669		\$ 343,669	
	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	"	-	909	-	\$ 909	
	Beneficiary certificates	-	"	"	-	3,363	0.06%~0.61%	3,363	
	-Hua Nan Phoenix Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	"	14,287,752	230,000	-	230,232	
	-Yuantai Wan Tai Money Market Fund	Not applicable	"	"	3,332,778	50,000	-	50,027	
	-CTBC Hwa-win Money Market Fund	Not applicable	Valuation adjustment of financial assets	"	4,583,246	50,000	-	50,028	
			Total		-	287		-	
						\$ 330,287		\$ 330,287	

Securities held by	Type and name of securities	Relationship with the securities issuer	As of December 31, 2016				
			General ledger account	Number of shares	Book value	Ownership (%)	Fair value
Ho Tai Service & Marketing Co., Ltd.	Best Denki Co., Ltd.	None	Available-for-sale financial assets – non-current	2,862	\$	8	\$
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$	2,767	\$
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$	2,767	\$
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	"	-	\$	24,550	\$
						10.50%	24,550

Ho Tai Motor Co., Ltd.

Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

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

Table 4

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investee	Balance as at January 1, 2016			Addition			Disposal			Balance as at December 31, 2016		
					Number of shares	Amount		Number of shares	Amount		Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Ho Tai Motor Co., Ltd.	Taishin 1695 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$	-	22,433,093	\$	300,000	22,433,093	\$	300,000	\$	-	\$
Ho Tai Motor Co., Ltd.	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	18,805,123	300,000		18,805,123	300,241	300,000	241	-	-
Ho Tai Motor Co., Ltd.	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	18,617,582	300,000		30,936,957	500,000		18,617,582	300,393	300,000	393	30,936,957	500,000
Ho Tai Motor Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	69,048,185	700,000		58,661,463	600,000		78,837,519	805,814	800,000	5,814	48,872,129	500,000
Ho Tai Motor Co., Ltd.	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	61,610,189	900,000		20,454,917	300,000		61,610,189	902,830	900,000	2,830	20,454,917	300,000
Ho Tai Motor Co., Ltd.	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	2,838,732	500,000		-	-		2,838,732	501,067	500,000	1,067	-	-
Ho Tai Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	47,947,204	590,022		48,320,591	600,000		47,947,204	594,747	590,022	4,725	48,320,591	600,000
Ho Tai Motor Co., Ltd.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	19,809,957	300,000		-	-	-	-	19,809,957	300,000
Ho Tai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	45,809,780	500,000		-	-	-	-	45,809,780	500,000
Ho Tai Motor Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	6,220,646	100,000		32,938,344	530,000		24,871,238	400,077	400,000	77	14,287,752	230,000
Hozan Investment Co., Chang Yuan Motor Co., Ltd.	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	19,819,766	310,000		1,277,107	20,000	19,972	28	18,542,659	290,028
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	30,607,007	380,000		-	-	-	-	30,607,007	380,000

Table 5

Purchase/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions				Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
			Sales	\$			Normal	Normal	\$	Percentage of total notes/accounts receivable (payable)
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	23,057,057	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	346,479	21%
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	21,113,662	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	196,873	12%
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	16,924,153	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	198,448	12%
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	15,022,821	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	252,749	15%
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	13,217,116	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	233,487	14%
Ho Tai Motor Co., Ltd.	Kuon Motor Co., Ltd.	"	"	12,961,396	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	189,933	12%
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,204,526	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	14,607	1%
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,287,846	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	16,996	1%
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	1,483,619	1%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	"	111,623	7%
Ho Tai Motor Co., Ltd.	Hoi'ai Leasing Co., Ltd.	"	"	847,989	1%	Collection at sight	Normal	"	25,371	2%
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	45,838,144	44%	7 days end of week, interest bearing from transaction date	Not applicable	"	588,523	8%
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	"	34,867,033	33%	Closes its accounts 15 days after the end of each month	"	"	402,207	53%
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	"	"	2,104,897	2%	Closes its accounts 15 days after the end of each month	"	"	266,918	3%
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,209,170	1%	Closes its accounts 16 days after the end of each month	"	"	149,125	2%
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	703,987	1%	Closes its accounts 16 days after the end of each month	"	"	76,589	1%
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	332,143	-	Closes its accounts 15 days after the end of each month	"	"	8,425	-
Ho Tai Motor Co., Ltd.	Toyota Motor Sale USA	"	"	673,199	1%	Closes its accounts 15 days after the end of each month	"	"	106,658	1%
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	1,483,619	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	111,623	23%
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	6,979,220	69%	7 days after invoice date	"	"	101,343	21%
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Sales	536,955	5%	14 days after invoice date	Normal	"	47,918	2%
Chang Yuan Motor Co., Ltd.	Hoi'ai Leasing Co., Ltd.	"	"	382,119	3%	Collection at sight	"	"	-	-
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	145,057	1%	7 days after invoice date	"	"	3,651	-
Toyota Material Handling Taiwan Ltd.	Toyota Industries Coporation	Entity controlled by the Company's key management	Purchases	263,226	57%	Closes its accounts 15 days after the end of each month	Not applicable	"	28,926	56%
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Sales	1,209,170	21%	Closes its accounts 16 days after the end of each month	Normal	"	149,125	16%
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	"	646,374	11%	Closes its accounts 35 days after the end of each month	"	"	150,425	16%
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	543,090	10%	Closes its accounts 35 days after the end of each month	"	"	118,616	13%
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	"	"	501,012	9%	Closes its accounts 25 days after the end of each month	"	"	57,944	6%
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd.	"	"	377,741	7%	Closes its accounts 40 days after the end of each month	"	"	78,227	8%
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	367,996	7%	Closes its accounts 40 days after the end of each month	"	"	70,004	8%
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	"	186,250	3%	Closes its accounts 30 days after the end of each month	"	"	17,366	2%
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	"	"	227,440	4%	Closes its accounts 40 days after the end of each month	"	"	50,075	5%
Carmax Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Purchases	235,931	5%	Closes its accounts 21 days after the end of each month	"	"	14,555	2%
Hoi'ai Finance Co., Ltd.	Central Motor Co., Ltd.	"	"	6,412,068	16%	Payment at sight	"	"	101,057	20%
Hoi'ai Finance Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	4,705,844	11%	Payment at sight	"	"	350	0%
Hoi'ai Finance Co., Ltd.	Kuotai Motor Co., Ltd.	"	"	5,357,020	13%	Payment at sight	"	"	125,745	25%
Hoi'ai Finance Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	4,146,810	10%	Payment at sight	"	"	97,378	20%
Hoi'ai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	4,041,610	10%	Payment at sight	"	"	77,556	16%

Differences in transaction terms compared

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Hoi Tai Finance Co., Ltd.	Nan Du Motor Co., Ltd.	Associates	Purchases	\$ 3,430,196	8%	Payment at sight	Normal	\$ 21,119	4%			
Hoi Tai Finance Co., Ltd.	Eastern Motor Co., Ltd.	"	"	759,566	2%	Payment at sight	"	(2,040)	-			
Hoi Tai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	604,473	1%	Payment at sight	"	(5,460)	1%			
Hoi Tai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	847,989	8%	Payment at sight	"	(25,371)	24%			
Hoi Tai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	"	1,307,233	12%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Kuota Motor Co., Ltd.	"	"	1,113,313	10%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Tau Maan Motor Co., Ltd.	"	"	895,299	8%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Central Motor Co., Ltd.	"	"	837,637	8%	Payment at sight	"	(656)	1%			
Hoi Tai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	735,038	7%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	595,541	5%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	382,119	3%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Hohung Motor Co., Ltd.	"	"	173,246	2%	Payment at sight	"	-	-			
Hoi Tai Leasing Co., Ltd.	Hohung Motors Co., Ltd.	"	Sales	110,246	2%	3 days after invoice date	"	548	-			
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	"	174,027	39%	Closes its accounts 60 days after the end of each month	"	28,619	52%			
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	Purchases	174,027	2%	Closes its accounts 60 days after the end of each month	"	(28,619)	12%			
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	2,204,526	90%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	(14,607)	75%			
Eastern Motor Co., Ltd.	Hoi Tai Finance Co., Ltd.	Associates	Sales	759,566	29%	Collection at sight	"	2,040	2%			
Shanghai Helling Motor Service Co., Ltd.	Toyota Motor (China)Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	2,640,443	96%	Payment in advance	"	-	-			
Chongqing Helling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,783,536	94%	Payment in advance	"	-	-			
Nanchang Helling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,329,530	94%	Payment in advance	"	-	-			
Tangshan Helling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,282,184	99%	Payment in advance	"	-	-			
Tianjin Helling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	892,199	98%	Payment in advance	"	-	-			
Shanghai Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	167,225	14%	Payment in advance	"	-	-			

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

Ho Tai Motor Co., Ltd.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2016

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

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Turnover rate	Amount	Action taken	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable \$ 346,479 Other receivables 6,243	72.65	\$ -	None	\$ 346,479
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Accounts receivable \$ 196,873 Other receivables 5,904	92.92	-	"	6,243 196,873
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable \$ 198,448 Other receivables 5,053	79.44	-	"	5,904 198,448
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable \$ 252,749 Other receivables 4,399	66.96	-	"	5,053 252,749
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable \$ 233,487 Other receivables 4,408	73.69	-	"	4,399 233,487
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable \$ 189,933 Other receivables 37,894	64.46	-	"	4,408 189,933
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable \$ 111,623 Other receivables 15,596	14.77	-	"	37,894 111,623
Carnax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent Company	Accounts receivable \$ 149,125	9.13	-	"	15,596 149,125
Carnax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Accounts receivable \$ 150,425	35.76	-	"	149,125 150,425
Carnax Co., Ltd.	Wang Fu Co., Ltd.	"	Accounts receivable \$ 118,616	48.22	-	"	150,425 118,616

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

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

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 1,483,619	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	886,945	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Warranty cost	187,830	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	111,623	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	847,989	Collection sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales allowances	225,186	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	92,165		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	149,125		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,204,526	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	"	382,119	Collection sight	-
1	Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accrued expenses	87,539		-
2	Hotai Leasing Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	69,509		-
4	Ho Tai Development Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	91,261		-
5	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	777,803	Collection sight	-
6	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	1,209,170	Closes its accounts 16 days after the end of each month	1%
6	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accounts receivable	149,125		-
7	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	174,027	Closes its accounts 60 days after the end of each month	-
8	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other receivables	106,885		-
9	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	87,797		-

Note 1 : The numbers filled for inter-company transactions are as follows:

1.The parent company is numbered "0".

2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

1.The parent company to the subsidiary.

2.The subsidiary to the parent company.

3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at eneding period;

Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.
Names, locations and other information of investee companies (not including investees in Mainland China)
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
				Balance at December 31, 2016	Balance at December 31, 2015	Book value	Number of shares	Ownership (%)				
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 650,182	\$ 650,182	\$ 8,247,139	-	100.00	\$	1,131,332	\$ 1,131,439	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	4,396,283	103,800,000	30.00		5,950,897	1,780,424	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,849,866	3,334,725	58,897,360	100.00		318,327	318,327	Subsidiaries
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	3,581,958	265,000,000	100.00		292,490	292,490	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,969	2,098,969	2,408,428	15,000,000	20.00		602,112	117,348	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	1,955,535	24,710,856	45.01		628,946	289,206	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,333,514	1,333,514	1,406,260	15,153,573	20.00		452,959	85,918	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	1,331,838	22,161,150	20.00		421,250	78,047	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	1,135,160	22,950,000	51.00		771,752	393,594	Subsidiary
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	918,131	25,438,987	34.81		348,209	121,211	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	914,894	17,553,761	20.05		460,122	92,254	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	870,861	14,806,073	23.67		473,291	112,028	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	"	50,000	50,000	693,258	48,816,929	100.00		102,932	102,932	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	"	80,000	80,000	343,316	28,606,219	100.00		44,443	44,443	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	282,242	2,000,000	20.00		63,182	11,954	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	5,557	5,557	263,309	1,007,609	45.54		11,900	5,419	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	131,726	211,433	21.14		65,450	13,836	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes.	3,000	3,000	119,531	3,000	25.00		69,230	17,308	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	10,653	960,961	20.00		3,133	627	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	112,875	112,875	94,827	3,500,000	70.00		8,162	-	"

Investor	Investee	Main business activities	Initial investment amount		Shares held as at December 31, 2016		Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
			Balance at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value		
			\$	\$	1,200,000	40.00	\$	15,625	-
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	38,700	38,700					-
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	779,742	779,742	231,183,006	66.03	5,681,580	1,271,973	-
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	181,907	181,907	70,395,061	66.04	1,971,404	450,576	-
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	Installment trading of various vehicles	34,756	34,756	3,475,571	18.29	276,443	71,235	-
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	-	12,000	-	-	-	13,388	-
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	0.00	96	348,209	-
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	488,588	488,588	15,150,000	50.50	701,743	131,378	-
Hotai Finance Co., Ltd.	Honung Motors Co., Ltd.	Trading of used vehicles	-	20,400	-	-	-	2,335	-
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	"	-	30,600	-	-	-	13,857	-
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	"	-	18,600	-	-	-	13,388	-
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	478,912	478,912	14,850,000	49.50	687,008	131,378	-
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	"	96,750	96,750	3,000,000	100.00	123,399 (	1,623)	-
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	50,000	50,000	5,000,000	100.00	238,577	73,080	-
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	Advertisement making	2,400	2,400	240,000	30.00	1,091	1,901	-
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	Wholesale and retail of paints and coating.	8,820	8,820	882,000	49.00	8,125	2,176	-
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	32,472	3,133	-
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	15,248	12,320	-
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	96,750	96,750	3,000,000	100.00	123,399 (	1,623)	-

Note: The Company lost the power of control of that company in the fourth quarter of 2016. Please refer to the consolidated financial statements Note 4(3).

Ho Tai Motor Co., Ltd.
Information on Investments in Mainland China-Basic information
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 2,516,951	Note 1.1	\$ 369,263	-	-	\$ 369,263	\$ 300,865	100.00	\$ 300,865	\$ 3,185,624	\$ -	Note 2.2
Shanghai Hoyo Motor Service Co., Ltd.	Sales and repairing of vehicles	108,683	Note 1.1	108,683	-	-	108,683	28,560	100.00	28,560	246,178	-	"
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	"	139,218	Note 1.5	11,852	-	-	11,852	-	10.50	-	11,852	13,327	"
Beijing Hoyo Toyota Motor Sales and Service Co., Ltd.	"	96,750	Note 1.2	32,250	-	-	32,250 (	15,625)	40.00 (	1,599)	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	193,500	Note 1.1	193,500	-	-	193,500	78,085	100.00	78,085	417,038	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	96,750	"	96,750	-	-	96,750	41,395	100.00	41,395	146,554	-	"
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	161,250	Note 1.2	112,825	-	-	112,825	8,162	70.00	5,713	94,827	-	"
Shanghai Heling Motor Service Co., Ltd.	"	112,875	Note 1.3	84,656	-	-	84,656	97,567	100.00	97,567	296,450	-	"
ChongQing Yunun Toyota Automobile Service Co., Ltd.	"	139,218	Note 1.1	12,698	-	-	12,698	-	10.50	-	12,698	-	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	141,900	Note 1.7	141,900	-	-	141,900 (	1,638)	100.00 (	1,638)	106,369	-	"
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	299,925	Note 1.1	299,925	-	-	299,925 (	22,569)	100.00 (	22,569)	91,059	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	187,050	"	187,050	-	-	187,050	39,852	100.00	39,852	240,569	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	209,625	"	209,625	-	-	209,625	37,700	100.00	37,700	233,106	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	967,500	Note 1.6	967,500	-	-	967,500	131,378	66.03	86,758	916,829	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	46,406	Note 1.4	-	-	-	-	2,473	66.03	1,633	32,206	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	96,750	Note 1.6	96,750	-	-	96,750 (	1,623)	45.01 (	859)	55,539	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	387,000	Note 1.4	-	-	-	-	6,754	100.00	6,754	209,789	-	Note 2.2
Tianjin Hozhan Motor Service Co., Ltd.	"	318,345	"	-	-	-	-	9,104	100.00	9,104	179,182	-	"
Linyi Hoyo Toyota Motor Sales and Service Co., Ltd.	"	387,000	"	-	-	-	- (	4,695)	35.00 (	1,643)	72,794	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,893	Note 1.7	42,893	-	-	42,893	37,224	51.00	18,984	125,245	-	"
Guangzhou Gac Changho Autotech Corporation	"	102,985	"	46,343	-	-	46,343	51,117	22.95	11,731	80,006	5,218	"
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	322,500	Note 1.4	-	-	-	-	9,408	35.00	3,293	49,641	-	"
Taizhou Kaudu Lexus Motor Sale Service Co.,Ltd.	"	483,750	"	-	-	-	- (	476)	35.00 (	167)	122,900	-	Note 2.3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016				Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan	-\$	-\$							
					-\$	-\$	-\$	-\$							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	\$ 387,000	Note 1.4	\$ -	-	-	-	-	21,000	\$ -	35.00	\$ 7,350	\$ 82,290	\$ -	Note 2.2
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	"	354,750	"	-	-	-	-	-	37,674	(-)	35.00	(13,186)	59,985	-	Note 2.3
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	13,922	"	-	-	-	-	-	5,179	-	60.00	3,108	10,439	-	Note 2.2
Shanghai Guangxin Cultural Media Co., Ltd	Design and production of advertisements	4,641	"	-	-	-	-	-	735	-	100.00	735	5,343	-	"

Note 1: The investments are classified as follows:

- 1.Through investment in an existing company located in third area.
- 2.Investment in Mainland China companies through a company invested and established in a third region.
- 3.Investment in Mainland China companies through an existing company established in a third region and Mainland China.
- 4.Investment in Mainland China companies through an existing company established in Mainland China.
- 5.Including 25% of Shanghai Heling Motor Service Co., Ltd. shares with a book value of \$74,113 thousand.
- 6.Investment in Mainland China companies through a company invested and established in a third region by the subsidiary.
- 7.Direct investment in Mainland China.

Note 2 : The amount of investment income (loss) recognized for the year ended December 31, 2016 is based on:

- 1.The financial statements were audited by R.O.C parent company's CPA.
- 2.The financial statements were audited by other independent accountants in PricewaterhouseCoopers, Taiwan.
- 3.Others.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	
		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Investment Commission of MOEA
	-\$	-\$	30,347,454
Ho Tai Motor Co., Ltd.	\$ 1,763,298	\$ 2,929,416	

HO TAI MOTOR COMPANY LIMITED
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015
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REPORT OF INDEPENDENT ACCOUNTANTS (TRANSLATED FROM CHINESE)

PWCR16000310

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

Opinion

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

In our opinion, based on our audits and the report of other independent accountants (please refer to “other matter” section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

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

Description

When accounts receivable are past due over 30 days, Hotai Finance Co., Ltd. already considers the collectability of those accounts in doubt. In addition to enhancing collection progress from customers, management also assesses the collectability of each account based on the probability of overdue accounts becoming impaired over the past 5 years. 15%~100% of provision for impairment is provided for those doubtful accounts receivable depending on the length of overdue days. Since the provision for impairment of accounts receivable in Hotai Finance Co., Ltd. would impact the Company's share of profit of associate accounted for using equity method, 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. Understood the policy of provision for impairment of accounts receivable and the calculation process in the accounting system in Hotai Finance Co., Ltd.. Sampled and tested the accuracy of accounts receivable aging report.
2. For those accounts past due over 30 days, Hotai Finance Co., Ltd. will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past 5 years and Hotai Finance Co., Ltd.'s policy. We understood and assessed the occurrence percentage of actual impairment compared to the overdue accounts receivable over the past 5 years, and evaluated the reasonableness of the provision for impairment policy.

Valuation of the provisions for warranty

Description

Please refer to Note 4(20) to the parent company only financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimate and assumptions of provisions for warranty, and Note 6(13) for details of the provisions for warranty.

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

How our audit addressed the matter

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

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

2. Obtained maintenance records for each car model sold within 4 years, and calculated the possibility of warranty claimed from each car model.
3. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme as aforementioned. Evaluated the reasonableness of provision for warranty by considering the customer return rate and warranty claimed cost from each car model.

Other matter – Using the work of other independent accountants

We did not audit the financial statements of certain investments recognized under the equity method that are included in the parent company only financial statements. Investments using equity methods amounted to NT\$ 5,189,047 thousand and NT\$ 5,067,014 thousand on December 31, 2016 and 2015, constituting 9.05 % and 9.96% of total assets, respectively. For the year ended December 31, 2016 and 2015, the comprehensive income amounted to NT\$308,221 thousand and NT\$ 306,437 thousand on December 31, 2016 and 2015, constituting 2.99% and 3.16 % of total comprehensive income, respectively. Those financial statements and information disclosed were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

Chin-Mu, Hsiao

Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

March 28, 2017

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

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 6,361,116	11	\$ 5,820,416	12
1110	Financial assets at fair value through profit or loss	6(2)	2,826,648	5	3,153,196	6
1150	Notes receivable, net	6(4)	20,394	-	17,081	-
1160	Notes receivable – related parties, net	6(4) and 7	4,519	-	43,950	-
1170	Accounts receivable, net	6(4)	27,227	-	33,903	-
1180	Accounts receivable – related parties, net	6(4) and 7	1,596,484	3	1,445,862	3
1200	Other receivables	7	516,255	1	731,633	1
130X	Inventories, net	6(5)	5,492,689	9	1,572,201	3
1410	Prepayments		968,621	2	279,717	1
11XX	Total current assets		17,813,953	31	13,097,959	26
Non-current assets						
1523	Available-for-sale financial assets	6(3)	786,884	1	789,613	2
1550	Investments accounted for using equity method	6(6)	32,345,247	56	30,581,248	60
1600	Property, plant and equipment	6(7)	3,720,240	7	3,696,383	7
1760	Investment property, net	6(8)	2,042,490	4	2,068,920	4
1840	Deferred income tax assets	6(22)	251,648	-	265,936	-
1900	Other non-current assets		362,709	1	367,579	1
15XX	Total non-current assets		39,509,218	69	37,769,679	74
1XXX	Total assets		\$ 57,323,171	100	\$ 50,867,638	100

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

			December 31, 2016		December 31, 2015			
			Amount	%	Amount	%		
Liabilities and equity			Notes					
Current liabilities								
2100	Short-term loans	6(9)	\$	1,193,250	2	\$	351,227	1
2170	Accounts payable	6(10)		1,989,118	3		1,966,924	4
2180	Accounts payable – related parties	6(10) and 7		5,663,866	10		3,544,343	7
2200	Other payables	6(11) and 7		1,844,853	3		2,120,939	4
2230	Current income tax liabilities	6(22)		868,289	2		843,186	2
2250	Provisions	6(13)		925,804	2		1,135,281	2
2300	Other current liabilities			152,612	-		130,958	-
21XX	Total current liabilities			12,637,792	22		10,092,858	20
Non-current liabilities								
2550	Provisions	6(13)		815,525	2		713,537	2
2570	Deferred income tax liabilities	6(22)		762,954	1		696,446	1
2600	Other non-current liabilities			658	-		658	-
25XX	Total non-current liabilities			1,579,137	3		1,410,641	3
2XXX	Total liabilities			14,216,929	25		11,503,499	23
Equity								
Share capital		6(14)						
3110	Common stock			5,461,792	10		5,461,792	11
Capital surplus		6(15)						
3200	Capital surplus			263,060	-		263,060	-
Retained earnings		6(16)						
3310	Legal reserve			8,262,717	14		7,285,058	14
3320	Special reserve			381,843	1		381,843	1
3350	Unappropriated earnings			28,074,357	49		24,863,218	49
Other equity								
3400	Other equity interest			662,473	1		1,109,168	2
3XXX	Total equity			43,106,242	75		39,364,139	77
Commitments and contingent liabilities		9						
Significant events after balance sheet date		11						
3X2X	Total liabilities and equity		\$	57,323,171	100	\$	50,867,638	100

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2016		2015	
			Amount	%	Amount	%
4000	Operating revenue	6(17) and 7	\$ 110,353,594	100	\$ 101,971,202	100
5000	Operating costs	6(5) and 7	(100,826,855)	(91)	(93,228,787)	(92)
5900	Gross profit before realized (unrealized) gross profit on sales to subsidiaries and associates		9,526,739	9	8,742,415	8
5910	Unrealized profit from sales		(74,663)	-	(107,344)	-
5920	Realized profit from sales		107,344	-	70,646	-
5950	Gross profit		9,559,420	9	8,705,717	8
	Operating expenses	6(20)(21) and 7				
6100	Selling expenses		(2,040,010)	(2)	(1,906,061)	(2)
6200	General and administrative expenses		(1,240,018)	(1)	(1,247,809)	(1)
6000	Total operating expenses		(3,280,028)	(3)	(3,153,870)	(3)
6900	Operating profit		6,279,392	6	5,551,847	5
	Non-operating income and expenses					
7010	Other income	6(18) and 7	882,901	1	915,140	1
7020	Other gains and losses	6(19)	87,147	-	10,546	-
7050	Finance costs	7	(19,872)	-	(23,550)	-
7070	Share of profit of subsidiaries associates and joint ventures accounted for using equity method	6(6)	5,008,805	4	4,679,684	5
7000	Total non-operating income and expenses		5,958,981	5	5,581,820	6
7900	Profit before income tax		12,238,373	11	11,133,667	11
7950	Income tax expense	6(22)	(1,498,334)	(1)	(1,357,076)	(1)
8200	Profit for the year		\$ 10,740,039	10	\$ 9,776,591	10
	Other comprehensive income (loss) for the year, net of tax					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8330	Share of other comprehensive loss of subsidiaries associates and joint ventures accounted for using equity method		\$ 7,937	-	(\$ 64,585)	-
8310	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss		7,937	-	(64,585)	-
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(280,197)	(1)	(16,648)	-
8362	Unrealized gain (loss) from available-for-sale financial assets	6(3)	20,303	-	(92,279)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(188,194)	-	103,244	-
8399	Income tax related to components of other comprehensive income	6(23)	1,393	-	-	-
8360	Total components of other comprehensive loss that will be reclassified to profit or loss		(446,695)	(1)	(5,683)	-
8300	Other comprehensive loss for the year, net of tax		(\$ 438,758)	(1)	(\$ 70,268)	-
8500	Total comprehensive income for the year		\$ 10,301,281	9	\$ 9,706,323	10
	Earnings per share (in dollars)	6(23)				
9750	Basic earnings per share		\$ 19.66		\$ 17.90	
9850	Diluted earnings per share		\$ 19.65		\$ 17.89	

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity				
		Share Capital – common stock	Capital surplus –additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain from available-for-sale financial assets	Gain (loss) on effective portion of cash flow hedges	Total equity
2015										
Balance at January 1, 2015		\$ 5,461,792	\$ 263,060	\$ 6,365,384	\$ 381,843	\$ 21,805,767	\$ 390,270	\$ 734,523	(\$ 9,942)	\$ 35,392,697
Appropriation and distribution of earnings	6(16)									
Legal reserve		-	-	919,674	-	(919,674)	-	-	-	-
Cash dividends		-	-	-	-	(5,734,881)	-	-	-	(5,734,881)
Profit for the year		-	-	-	-	9,776,591	-	-	-	9,776,591
Other comprehensive income (loss) for the year		-	-	-	-	(64,585)	(17,561)	4,257	7,621	(70,268)
Balance at December 31, 2015		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 7,285,058</u>	<u>\$ 381,843</u>	<u>\$ 24,863,218</u>	<u>\$ 372,709</u>	<u>\$ 738,780</u>	<u>(\$ 2,321)</u>	<u>\$ 39,364,139</u>
2016										
Balance at January 1, 2016		\$ 5,461,792	\$ 263,060	\$ 7,285,058	\$ 381,843	\$ 24,863,218	\$ 372,709	\$ 738,780	(\$ 2,321)	\$ 39,364,139
Appropriation and distribution of earnings	6(16)									
Legal reserve		-	-	977,659	-	(977,659)	-	-	-	-
Cash dividends		-	-	-	-	(6,554,150)	-	-	-	(6,554,150)
Profit for the year		-	-	-	-	10,740,039	-	-	-	10,740,039
Participation in subsidiary's capital increase not proportional to ownership		-	-	-	-	(5,028)	-	-	-	(5,028)
Other comprehensive income (loss) for the year		-	-	-	-	7,937	(484,291)	44,400	(6,804)	(438,758)
Balance at December 31, 2016		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 8,262,717</u>	<u>\$ 381,843</u>	<u>\$ 28,074,357</u>	<u>(\$ 111,582)</u>	<u>\$ 783,180</u>	<u>(\$ 9,125)</u>	<u>\$ 43,106,242</u>

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>Cash flows from operating activities</u>			
Profit before income tax		\$ 12,238,373	\$ 11,133,667
Adjustments to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets at fair value through profit or loss	6(19)	(63,642)	67,111
Reversal of bad debts expense	6(4)	-	(157)
Depreciation (including investment property)	6(7)(8)(20)	86,288	93,836
Amortization	6(20)	-	1,692
Net loss (gain) on disposal of property, plant and equipment	6(7)(19)	40	(464)
Loss on abandonment of property, plant and equipment	6(7)(19)	81	18,289
Share of profit of associates accounted for using equity method	6(6)	(5,008,805)	(4,679,684)
Dividend income		(36,680)	(39,504)
Interest expense		19,872	23,550
Interest income	6(18)	(74,853)	(78,611)
Gains on disposal of investments		(3)	-
Unrealized profit from sales		74,663	107,344
Realized profit from sales		(107,344)	(70,646)
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		390,190	(719,785)
Notes receivable		36,118	(41,690)
Accounts receivable		(143,946)	(722,111)
Other receivables		215,580	(132,390)
Inventories		(3,920,488)	(611,416)
Prepayments		(688,889)	(148,556)
Net changes in liabilities relating to operating activities			
Notes and accounts payable		2,141,717	3,086,645
Other payables		(276,360)	311,830
Other current liabilities		(187,823)	39,005
Other non-current liabilities		101,988	1,117
Cash generated from operations		4,796,077	7,639,072
Cash dividends received		2,850,080	2,937,757
Interest paid		(19,613)	(23,734)
Income tax paid		(1,392,435)	(1,075,216)
Interest received		74,649	78,591
Net cash provided by operating activities		6,308,758	9,556,470
<u>Cash flows from investing activities</u>			
Acquisition of available-for-sale financial assets	6(3)	-	(32,526)
Proceeds from capital reduction of available-for-sale financial assets		23,032	-
Proceeds from disposal of available-for-sale financial assets		3	-
Acquisition of investments accounted for using equity method	6(6)	-	(10,763)
Proceeds from disposal of investments accounted for using equity method	6(6)	-	151,524
Acquisition of property, plant and equipment and investment property	6(7)(8)	(83,850)	(25,878)
Proceeds from disposal of property, plant and equipment	6(7)	14	2,558
Decrease (increase) in other non-current assets		4,870	(27,947)
Net cash (used in) provided by investing activities		(55,931)	56,968
<u>Cash flows from financing activities</u>			
(Decrease) increase in short-term loans		842,023	(712,213)
Cash dividends paid	6(16)	(6,554,150)	(5,734,881)
Net cash used in financing activities		(5,712,127)	(6,447,094)
Increase in cash and cash equivalents		540,700	3,166,344
Cash and cash equivalents at beginning of year		5,820,416	2,654,072
Cash and cash equivalents at end of year		\$ 6,361,116	\$ 5,820,416

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

HO TAI MOTOR CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

1. HISTORY AND ORGANIZATION

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

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 28, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

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

New and revised standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

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

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

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

New and revised standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 15, 'Revenue from contracts with customers'

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

B. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the goods or services to be provided); and determine whether the revenue from granting a licence should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

C. 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, 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 based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
- (a) Hybrid (combined) contracts; or
 - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Accounts receivable

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

(9) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or

local economic conditions that correlate with defaults on the assets in the group;

- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- (a) Financial assets measured at amortized cost

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

- (b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

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

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when

- the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
 - C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
 - D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
 - E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
 - F. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
 - G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
 - H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the

relevant assets or liabilities were disposed of.

- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, “profit for the year” and “Other comprehensive income for the year” reported in an entity’s non-consolidated statement of comprehensive income, shall equal to “profit for the year” and “Other comprehensive income for the year” attributable to shareholders of the parent reported in that entity’s consolidated statement of comprehensive income. Total equity reported in an entity’s non-consolidated financial statements, shall equal to equity attributable to shareholders of parent reported in that entity’s consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(14) Leased assets / leases (lessee)

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

(15) Investment property

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

(16) Impairment of non-financial assets

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

(17) 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.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) 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.

(20) Provisions

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

(21) Employee benefits

A. Short-term benefits

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

B. Pensions

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(22) Income tax

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

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

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) 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.

(24) 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.

(25) Revenue recognition

Sales of goods

The Company sells vehicles and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the

degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Provisions for warranty

To provide vehicle owners more complete after-sales service and dependable quality, in addition to the 3-year or 100 thousand-kilometer limited warranty offered by the original manufacturer, the Company provides an extra 4th year or 20 thousand-kilometer limited warranty for all vehicles in the Toyota and Lexus line-up. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(13) "Provisions" for more information. As of December 31, 2016, the carrying amount of provisions for warranty was \$1,741,329.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2016	2015
Cash on hand and revolving funds	\$ 250	\$ 250
Checking accounts and demand deposits	97,148	147,853
Cash equivalents - short-term notes and bills	6,263,718	5,672,313
	<u>\$ 6,361,116</u>	<u>\$ 5,820,416</u>

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

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

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

		December 31,	
		2016	2015
Current items:			
Financial assets held for trading			
Domestic open-ended quasi money market fund	\$	2,700,000	\$ 3,090,190
Non-hedging derivative instruments		126,282	54,417
Valuation adjustment		366	8,589
	\$	<u>2,826,648</u>	<u>\$ 3,153,196</u>

A. The Company recognized net gain of \$79,262 and loss of \$61,232 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

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

		December 31,	
		2016	2015
<u>Derivative instruments</u>	Contract amount (Notional Principal)	Contract amount (Notional Principal)	
	(in thousands)	(in thousands)	Contract period
Current items:			
Forward foreign exchange contracts	USD 252,300	USD 176,790	2016.10.17~2017.3.14 2015.10.20~2016.3.14

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

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

(3) Available-for-sale financial assets

		December 31,	
		2016	2015
Non-current items:			
Listed stocks and unlisted stocks	\$	308,660	\$ 331,692
Valuation adjustment of available-for-sale financial assets		478,224	457,921
	\$	<u>786,884</u>	<u>\$ 789,613</u>

The Company recognized gain of \$20,303 and loss of \$92,279 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

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

		December 31,	
		2016	2015
Notes receivable	\$	24,913	\$ 61,031
Accounts receivable		1,623,711	1,479,765
	\$	<u>1,648,624</u>	<u>\$ 1,540,796</u>

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

B. Movements of the Company's provision for impairment of accounts receivable are as follows:

	Years ended December 31,	
	2016	2015
At January 1	\$ -	\$ 157
Reversal of impairment	-	(157)
At December 31	<u>\$ -</u>	<u>\$ -</u>

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

(5) Inventories

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

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Vehicles	\$ 586,641	\$ -	\$ 586,641
Parts	604,890	(61,104)	543,786
Inventory in transit	<u>441,774</u>	<u>-</u>	<u>441,774</u>
	<u>\$ 1,633,305</u>	<u>(\$ 61,104)</u>	<u>\$ 1,572,201</u>

A. The Company had no inventories pledged to others as collateral.

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

	Years ended December 31,	
	2016	2015
Cost of goods sold	\$ 100,829,394	\$ 93,217,366
Loss on (gain on reversal of) inventory write-down	600	(58)
Others	(6,623)	5,155
	<u>\$ 100,823,371</u>	<u>\$ 93,222,463</u>

The gain on reversal of inventory write-down in 2015 was caused by continuous selling of inventories that were previously written-down for inventory valuation and obsolescence loss.

(6) Investments accounted for using equity method

	December 31,	
	2016	2015
Hozan Investment Co., Ltd.	\$ 8,247,139	\$ 7,182,649
Kuozui Motors, Ltd.	4,396,283	4,822,743
Chang Yuan Motor Co., Ltd.	3,581,958	3,271,595
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	3,334,725	3,309,922
Central Motor Co., Ltd.	2,408,428	2,338,547
Ho Tai Development Co., Ltd.	1,955,535	1,791,597
Tau Miao Motor Co., Ltd.	1,406,260	1,342,355
Kau Du Automobile Co., Ltd.	1,331,838	1,287,020
Carmax Co., Ltd.	1,135,160	944,275
Taipei Toyota Motor Co., Ltd.	918,131	848,882
Kuotu Motor Co., Ltd.	914,894	843,038
Nan Du Motor Co., Ltd.	870,861	805,807
Toyota Material Handling Taiwan Ltd.	693,258	695,994
Eastern Motor Co., Ltd.	343,316	298,056
Lang Yang Toyota Motor Co., Ltd.	282,242	276,321
Formosa Flexible Packaging Corp.	263,309	259,852
Shi-Ho Screw Industrial Co., Ltd.	261,910	262,595
	<u>\$ 32,345,247</u>	<u>\$ 30,581,248</u>

- A. Please refer to Note 4(3) of the 2016 consolidated financial statements for related information about subsidiaries of the Company.
- B. The Company's investments have no quoted market prices. The share of profit of investments accounted for using the equity method were \$5,008,805 and \$4,679,684, which were valued based on the investees' financial statement audited by the independent accountants for the years ended December 31, 2016 and 2015, respectively, which were valued based on the financial statements audited by the companies' independent accounts.
- C. The Company purchased 20% of outstanding shares of Smart Design Technology Co., Ltd. with cash consideration of \$10,763 on October 12, 2015.
- D. Certain investments in associates are immaterial to the Company. As of December 31, 2016 and 2015, the book values of these investments were \$13,043,503 and \$13,077,134, respectively. The Company's share of operating results of these associates are summarized as follows:

	Years ended December 31,	
	2016	2015
Comprehensive income for the year	<u>\$ 8,693,215</u>	<u>\$ 9,395,619</u>

(7) Property, plant and equipment

At January 1, 2016

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

At December 31, 2016

Cost	\$ 2,143,310	\$ 1,196,420	\$ 128,832	\$ 532,236	\$ 5,512	\$ 102,176	\$ 2,926	\$ 4,111,412
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(631,444)	(126,505)	(430,879)	(4,916)	(102,171)	-	(1,322,765)
	<u>\$ 3,047,957</u>	<u>\$ 565,072</u>	<u>\$ 2,327</u>	<u>\$ 101,357</u>	<u>\$ 596</u>	<u>\$ 5</u>	<u>\$ 2,926</u>	<u>\$ 3,720,240</u>

At January 1, 2015

	Land	Buildings and structures	Utility equipment	Office equipment	Others	Rental assets	Construction in progress	Total
Cost	\$ 2,143,310	\$ 1,160,189	\$ 128,534	\$ 502,209	\$ 5,285	\$ 102,176	\$ 3,301	\$ 4,045,004
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(563,896)	(125,323)	(414,877)	(4,427)	(102,154)	-	(1,237,527)
<u>2015</u>	<u>\$ 3,047,957</u>	<u>\$ 596,389</u>	<u>\$ 3,211</u>	<u>\$ 87,332</u>	<u>\$ 858</u>	<u>\$ 22</u>	<u>\$ 3,301</u>	<u>\$ 3,739,070</u>
Opening net book amount	\$ 3,047,957	\$ 596,389	\$ 3,211	\$ 87,332	\$ 858	\$ 22	\$ 3,301	\$ 3,739,070
Additions	-	175	298	20,267	324	-	4,814	25,878
Disposals	-	-	- (2,102)	-	-	-	- (2,102)	-
Reclassifications	-	3,301	-	-	-	-	(3,301)	-
Depreciation	-	(34,567)	(586)	(30,978)	(321)	(11)	-	(66,463)
Closing net book amount	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>

At December 31, 2015

Cost	\$ 2,143,310	\$ 1,163,665	\$ 128,832	\$ 510,485	\$ 5,512	\$ 102,176	\$ 4,814	\$ 4,058,794
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(598,463)	(125,909)	(435,966)	(4,651)	(102,165)	-	(1,294,004)
	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>

(8) Investment property

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 755,900	\$ 992,039	\$ 1,747,939
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(433,265)	(433,265)
	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>
<u>2016</u>			
Opening net book amount	\$ 1,498,163	\$ 570,757	\$ 2,068,920
Additions	-	992	992
Transfer	-	(1,028)	(1,028)
Depreciation	-	(26,394)	(26,394)
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>
<u>At December 31, 2016</u>			
Cost	\$ 755,900	\$ 991,395	\$ 1,747,295
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(459,051)	(459,051)
	<u>\$ 1,498,163</u>	<u>\$ 544,327</u>	<u>\$ 2,042,490</u>
	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 755,900	\$ 1,017,494	\$ 1,773,394
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(413,066)	(413,066)
	<u>\$ 1,498,163</u>	<u>\$ 616,411</u>	<u>\$ 2,114,574</u>
<u>2015</u>			
Opening net book amount	\$ 1,498,163	\$ 616,411	\$ 2,114,574
Disposals	-	(18,281)	(18,281)
Depreciation	-	(27,373)	(27,373)
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>
<u>At December 31, 2015</u>			
Cost	\$ 755,900	\$ 992,039	\$ 1,747,939
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(433,265)	(433,265)
	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental revenue from investment property	<u>\$ 199,560</u>	<u>\$ 193,237</u>
Direct operating expenses arising from the investment property that generated rental revenue during the year	<u>\$ 26,394</u>	<u>\$ 27,373</u>

B. The fair value of the investment property held by the Company was \$3,536,574 and \$3,367,513 as of December 31, 2016 and 2015, respectively, based on the market value method.

(9) Short-term loans

<u>Type of loans</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Unsecured loans	\$ 1,193,250	\$ 351,227
Annual interest rate	<u>1.10%~1.19%</u>	<u>0.73%</u>

(10) Accounts payable (including related parties)

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 3,250,644	\$ 2,644,851
Accounts payable - foreign currencies	<u>4,345,514</u>	<u>2,852,857</u>
	7,596,158	5,497,708
Valuation adjustment	<u>56,826</u>	<u>13,559</u>
	<u>\$ 7,652,984</u>	<u>\$ 5,511,267</u>

(11) Other payables

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Year-end bonus payable	\$ 664,916	\$ 644,086
Payable on discounts for distributors	260,301	179,839
Remuneration payable to directors and supervisors	252,338	347,927
Advertisement expense payable	168,490	391,468
Warranty cost payable	130,563	105,628
Remuneration payable to employees	126,169	115,976
Business tax payable	-	148,202
Others	<u>242,076</u>	<u>187,813</u>
	<u>\$ 1,844,853</u>	<u>\$ 2,120,939</u>

(12) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2016 and 2015 were \$26,645 and \$25,852, respectively.

(13) Provisions

	<u>Warranty</u>
At January 1, 2016	\$ 1,848,818
Additional provisions	712,146
Used during the year	(819,635)
At December 31, 2016	<u>\$ 1,741,329</u>

Analysis of total provisions:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current	<u>\$ 925,804</u>	<u>\$ 1,135,281</u>
Non-current	<u>\$ 815,525</u>	<u>\$ 713,537</u>

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

(14) Share capital

As of December 31, 2016, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock, and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2016 and December 31, 2016 was both 546,179,184 shares.

(15) 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.

(16) 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.

- 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 amounted to \$6,554,150 (NT\$12.0 per share) and \$5,734,881 (NT\$10.5 per share) for the years ended December 31, 2016 and 2015, respectively. On March 28, 2017, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2016 was \$6,554,150 with \$12.0 (in dollars) per share.
- E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(21).

(17) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Sales revenue	\$ 109,437,928	\$ 100,944,514
Service revenue	915,666	1,026,688
	<u>\$ 110,353,594</u>	<u>\$ 101,971,202</u>

(18) Other income

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental income	\$ 199,560	\$ 193,237
Interest income	74,853	78,611
Others	608,488	643,292
	<u>\$ 882,901</u>	<u>\$ 915,140</u>

(19) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	\$ 63,642	(\$ 67,111)
(Loss) gain on disposal of property, plant and equipment	(40)	464
Loss on abandonment of property, plant and equipment	(81)	(18,289)
Net currency exchange gain	34,406	116,987
Gain on disposal of investments	15,620	5,879
Miscellaneous disbursements	(26,400)	(27,384)
	<u>\$ 87,147</u>	<u>\$ 10,546</u>

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense	\$ 1,685,358	\$ 1,703,638
Depreciation	86,288	93,836
Amortization	-	1,692
	<u>\$ 1,771,646</u>	<u>\$ 1,799,166</u>

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ 1,518,869	\$ 1,542,395
Labor and health insurance fees	58,506	57,540
Pension costs	26,645	25,852
Other personnel expenses	81,338	77,851
	<u>\$ 1,685,358</u>	<u>\$ 1,703,638</u>

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year shall be distributed as employees' remuneration and directors' and supervisors' remuneration. The percentage shall be 1% for employees' remuneration and shall not be higher than 2% (3% for the year 2015) for directors' and supervisors' remuneration. Independent directors will not receive any distributable profit. If a company has accumulated deficit, earnings should be channelled to cover losses.

B. For the years ended December 31, 2016 and 2015, employees' remuneration was accrued at \$126,169 and \$115,976, respectively; while directors' and supervisors' remuneration was accrued at \$252,338 and \$347,927, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' remuneration and directors' and supervisors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the year ended December 31, 2016. The employees' remuneration and directors' and supervisors' remuneration

resolved by the Board of Directors were \$126,169 and \$252,338 on March 28, 2017, and the employees' remuneration will be distributed in cash.

Employees' remuneration and directors' and supervisors' remuneration of 2015 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2015 financial statements.

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

(22) Income tax

A. Income tax expense

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax expense recognized in the current year	\$ 1,204,757	\$ 1,103,668
Additional 10% income tax imposed on unappropriated earnings	217,638	254,218
Prior year income tax over estimation	(4,857)	(2,842)
Total current tax	<u>1,417,538</u>	<u>1,355,044</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>80,796</u>	<u>2,032</u>
Total deferred tax	<u>80,796</u>	<u>2,032</u>
Income tax expense	<u>\$ 1,498,334</u>	<u>\$ 1,357,076</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Income tax expense at the statutory rate	\$ 2,080,523	\$ 1,892,723
Effects from adjustments based on regulation	(794,970)	(787,023)
Additional 10% surtax on undistributed earnings	217,638	254,218
Prior year income tax over estimation	(4,857)	(2,842)
Income tax expense	<u>\$ 1,498,334</u>	<u>\$ 1,357,076</u>

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

	Year ended December 31, 2016		
	January 1	Recognized in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,388	\$ 102	\$ 10,490
Provision for after-sale service	7,730	-	7,730
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	18,249	(5,556)	12,693
Unrealized provision for warranty	201,705	(24,274)	177,431
Others	13,958	15,440	29,398
	<u>265,936</u>	<u>(14,288)</u>	<u>251,648</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(177,415)	(54,291)	(231,706)
Land value increment tax	(509,365)	-	(509,365)
Unrealised gain on valuation	(9,666)	(12,217)	(21,883)
	<u>(696,446)</u>	<u>(66,508)</u>	<u>(762,954)</u>
	<u>(\$ 430,510)</u>	<u>(\$ 80,796)</u>	<u>(\$ 511,306)</u>

	Year ended December 31, 2015		
	January 1	Recognized in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,397	(\$ 9)	\$ 10,388
Provision for after-sale service	7,730	-	7,730
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	12,010	6,239	18,249
Unrealized provision for warranty	199,848	1,857	201,705
Others	25,420	(11,462)	13,958
	<u>269,311</u>	<u>(3,375)</u>	<u>265,936</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(166,453)	(10,962)	(177,415)
Land value increment tax	(509,365)	-	(509,365)
Unrealised gain on valuation	(21,971)	12,305	(9,666)
	<u>(697,789)</u>	<u>1,343</u>	<u>(696,446)</u>
	<u>(\$ 428,478)</u>	<u>(\$ 2,032)</u>	<u>(\$ 430,510)</u>

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

E. Unappropriated earnings:

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

F. Integrated income tax system

	December 31,	
	2016	2015
Balance of the imputation tax credit account	<u>\$ 4,063,805</u>	<u>\$ 3,398,334</u>
	2016 (estimated)	2015 (actual)
Tax deduction ratio of earnings distribution	<u>15.48%</u>	<u>20.13%</u>

The tax deduction ratio for 2016 was estimated based on the balance of the imputation tax credit account as of December 31, 2016. The Company determines the amount of imputation tax credit distributed to shareholders based on the balance of the imputation tax credit account at the date of share dividend distribution. Therefore, all imputation tax credits are subject to appropriate adjustments in accordance with the Income Tax Act prior to the date of dividend or earnings appropriation, in order to calculate the aforementioned tax deduction ratio on earnings generated in and after 1998.

(23) Earnings per share

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

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

(24) Operating leases

A. Lessor

The Company leases its office building to related and non-related parties under operating lease agreements with terms between 2 to 6 years. Future expected rental income are as follows:

	December 31,	
	2016	2015
Up to 1 year	\$ 200,276	\$ 179,553
1 to 5 years	20,847	164,412
	<u>\$ 221,123</u>	<u>\$ 343,965</u>

B. Lesser

The Company leases business premises from related and non-related parties with lease terms between 3 and 10 years. Rental expenses recognized in operating expense for the years ended December 31, 2016 and 2015 are \$41,937 and \$42,619, respectively. Future expected rental expenses are as follows:

	December 31,	
	2016	2015
Up to 1 year	\$ 19,785	\$ 19,263
1 to 5 years	38,491	24,936
	<u>\$ 58,276</u>	<u>\$ 44,199</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(a) Sales of goods:		
-Associates	\$ 104,603,728	\$ 96,514,656
-Subsidiaries	4,455,008	3,974,535
-Entities controlled by key management	<u>1,112</u>	<u>917</u>
	<u>\$ 109,059,848</u>	<u>\$ 100,490,108</u>

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(b) Service revenue:		
-Subsidiaries	\$ 888,473	\$ 999,404
-Associates	<u>27,193</u>	<u>27,284</u>
	<u>\$ 915,666</u>	<u>\$ 1,026,688</u>

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(c) Interest income:		
-Associates	\$ 50,862	\$ 53,328
-Subsidiaries	<u>1,650</u>	<u>1,637</u>
	<u>\$ 52,512</u>	<u>\$ 54,965</u>

Interest income is interest arising from sales between transaction dates and collection dates. Starting from July 3, 2016, the annual interest rate was adjusted to 2.275%. The annual interest rate along with interest accruing on a daily basis is 2.525% for the year ended December 31, 2015.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(d) Rental revenue:		
-Subsidiaries	\$ 107,492	\$ 108,243
-Associates	88,067	84,783
-Entities controlled by key management	<u>1,029</u>	<u>880</u>
	<u>\$ 196,588</u>	<u>\$ 193,906</u>

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

	Years ended December 31,	
	2016	2015
(e) Contracted operating revenue (listed as operating revenue)		
-Associates	\$ 25,756	\$ 26,233
	Years ended December 31,	
	2016	2015
(f) Warranty revenue (shown as deductions to warranty costs)		
-Entities controlled by key management	\$ 521,808	\$ 332,748
-Associates	333,866	169,230
-Subsidiaries	15,560	14,157
	\$ 871,234	\$ 516,135
	Years ended December 31,	
	2016	2015
(g) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates	\$ 229,513	\$ 237,222
-Entities controlled by key management	92,527	72,725
-Subsidiaries	16,677	50,209
	\$ 338,717	\$ 360,156
	Years ended December 31,	
	2016	2015
(h) Distribution income (shown as deductions on freight)		
-Associates	\$ 34,968	\$ 35,228
	Years ended December 31,	
	2016	2015
(i) Miscellaneous income		
-Associates	\$ 317,863	\$ 318,966
-Subsidiaries	134,621	136,486
-Entities controlled by key management	33,588	38,583
	\$ 486,072	\$ 494,035

B. Expenditure

	Years ended December 31,	
	2016	2015
(a) Purchase of goods:		
-Associates	\$ 46,553,358	\$ 47,375,170
-Entities controlled by key management	37,977,273	29,673,415
-Subsidiaries	<u>1,209,319</u>	<u>1,103,962</u>
	<u>\$ 85,739,950</u>	<u>\$ 78,152,547</u>

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

	Years ended December 31,	
	2016	2015
(b) Interest expense:		
-Associates	<u>\$ 16,789</u>	<u>\$ 20,364</u>

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from July 3, 2016, the annual interest rate was adjusted to 1.875%. The annual interest rate along with interest accruing on a daily basis is 2.125% for the year ended December 31, 2015.

	Years ended December 31,	
	2016	2015
(c) Rental expenses:		
-Subsidiaries	\$ 18,820	\$ 15,148
-Associates	<u>6,026</u>	<u>6,099</u>
	<u>\$ 24,846</u>	<u>\$ 21,247</u>

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

	Years ended December 31,	
	2016	2015
(d) Warranty cost:		
-Associates	\$ 638,610	\$ 437,252
-Subsidiaries	<u>197,770</u>	<u>133,532</u>
	<u>\$ 836,380</u>	<u>\$ 570,784</u>

	Years ended December 31,	
	2016	2015
(e) Advertisement expense:		
-Associates	\$ 47,484	\$ 42,611
-Subsidiaries	18,832	6,610
-Entities controlled by key management	<u>6,480</u>	<u>9,528</u>
	<u>\$ 72,796</u>	<u>\$ 58,749</u>

C. Receivables from (payables to) related parties

	December 31,	
	2016	2015
(a) Receivables from related parties:		
-Associates	\$ 1,437,980	\$ 1,329,592
-Subsidiaries	162,989	160,050
-Entities controlled by key management	34	170
	<u>\$ 1,601,003</u>	<u>\$ 1,489,812</u>

	December 31,	
	2016	2015
(b) Other receivables from related parties:		
-Associates	\$ 125,713	\$ 371,179
-Subsidiaries	44,949	39,304
-Entities controlled by key management	1,331	552
	<u>\$ 171,993</u>	<u>\$ 411,035</u>

	December 31,	
	2016	2015
(c) Payables to related parties:		
-Entities controlled by key management	\$ 4,405,208	\$ 2,879,501
-Associates	1,109,533	548,864
-Subsidiaries	149,125	115,978
	<u>\$ 5,663,866</u>	<u>\$ 3,544,343</u>

	December 31,	
	2016	2015
(d) Other payables		
-Associates	\$ 144,034	\$ 250,378
-Subsidiaries	56,344	61,546
-Entities controlled by key management	172	2,181
	<u>\$ 200,550</u>	<u>\$ 314,105</u>

(2) Endorsements and guarantees provided to related parties:

	December 31,	
	2016	2015
-Subsidiaries	USD 91,400	USD 99,400
	<u>TWD 7,828,544</u>	<u>TWD -</u>

(3) Key management remuneration

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	<u>\$ 333,604</u>	<u>\$ 411,489</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Details of operating lease agreements are provided in Note 6(24).

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the appropriation of retained earnings of 2016, please refer to Note 6(16).

12. OTHERS

(1)Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Management has set up a policy to require management of foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company enters into forward exchange contracts, through finance department. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

ii. The Company's businesses involve some non-functional currency operations (the functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

	December 31, 2015			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	545	32.8250	\$ 17,877
JPY:NTD	JPY	16,793	0.2727	4,580
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	97,603	32.8250	\$ 3,203,815
JPY:NTD	JPY	50,709	0.2727	13,828

- iii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015, amounted to \$34,406 and \$116,987, respectively.

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

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

Year ended December 31, 2015				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 179	\$	-
JPY:NTD	1%	46		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	32,038		-
JPY:NTD	1%	138		-

Price risk and interest rate risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard

payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal ratings are accepted.

- ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant loss from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(4).

(c) Liquidity risk

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

Non-derivative financial liabilities:

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

<u>December 31, 2015</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 351,227	\$ -	\$ -
Accounts payable	5,511,267	-	-
Other payables	2,120,939	-	-

(3)Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(8).

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

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$ 2,700,366	\$ -	\$ -	\$ 2,700,366
Forward exchange contracts	-	126,282	-	126,282
Available-for-sale financial				
assets				
Equity securities	562,872	-	224,012	786,884
	<u>\$ 3,263,238</u>	<u>\$ 126,282</u>	<u>\$ 224,012</u>	<u>\$ 3,613,532</u>

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 3,098,779	\$ -	\$ -	\$ 3,098,779
Forward exchange contracts	-	54,417	-	54,417
Available-for-sale financial assets				
Equity securities	<u>528,978</u>	<u>-</u>	<u>260,635</u>	<u>789,613</u>
	<u>\$ 3,627,757</u>	<u>\$ 54,417</u>	<u>\$ 260,635</u>	<u>\$ 3,942,809</u>

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

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

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

(b)Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c)When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active markets, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

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

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

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 260,635	\$ 296,575
Gains and losses recognized in other comprehensive income (Note)	(13,591)	(35,940)
Proceeds from capital reduction	(23,032)	-
At December 31	<u>\$ 224,012</u>	<u>\$ 260,635</u>

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

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

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

	<u>Fair value at December 31, 2016</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 224,012	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value
	<u>Fair value at December 31, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 260,635	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

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

A. Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- (i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of December 31, 2016:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Contract Period	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 252,300	2017.1.13~ 2017.3.14	\$ 126,282	\$ 126,282
Hotai Finance Co., Ltd.	Currency swaps	USD 141,000	2017.4.11~ 2018.9.18	36,439	36,439
Hotai Finance Co., Ltd.	Currency swaps	JPY 3,100,000	2018.9.18	2,720	2,720

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

B. Information on investees

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

C. Information on investments in Mainland China

- (a) Basic information: Please refer to table 9.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
 - i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - iii. The amount of property transactions and the amount of the resulting gains or losses: None.
 - iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.
 - v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds : Please refer to table 1.
 - vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

14. SEGMENT INFORMATION

Not applicable.

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HO TAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

Item	Description	Amount
Petty cash		\$ 250
Checking accounts		7,930
Demand deposits		45,481
-NTD		
-USD	USD 1,154 thousand, conversion rate 32.25	37,217
-JPY	JPY 23,658, conversion rate 0.2756	6,520
Cash equivalents		
Short-term notes and bills	Maturity 1 month, interest rates at 0.40%~0.45%	6,263,718
		<u>\$ 6,361,116</u>

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HO TAI MOTOR CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

Item	Amount		Footnote
	Cost	Net realizable value	
Vehicles	\$ 3,748,283	\$ 3,863,336	
Parts	596,532	594,930	
Inventory in transit	1,209,578	1,209,578	
	5,554,393	<u>\$ 5,667,844</u>	
Less: Allowance for inventory obsolescence	(61,704)		
	<u>\$ 5,492,689</u>		

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HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

Investee	Balance at January 1, 2016		Additions		Deductions		Balance at December 31, 2016		Net equity value		Collateral pledged	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Unit price (In dollars)	Total amount		
Hozan Investment Co., Ltd.	-	\$7,182,649	-	1,149,605	-	(\$ 85,115)	-	\$ 8,247,139	\$	-	\$ 8,247,139	None
Kuozui Motors, Ltd.	103,800,000	4,822,743	-	1,796,050	-	(2,222,510)	103,800,000	4,396,283		43	4,463,400	"
Chang Yuan Motor Co., Ltd.	238,112,973	3,271,595	26,887,027	310,363	-	-	265,000,000	3,581,958		14	3,710,000	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	58,897,360	3,309,922	-	318,327	-	(293,524)	58,897,360	3,334,725		57	3,357,150	"
Central Motor Co., Ltd.	15,000,000	2,338,547	-	123,553	-	(53,672)	15,000,000	2,408,428		103	1,545,000	
Ho Tai Development Co., Ltd.	24,710,856	1,791,597	-	289,206	-	(125,268)	24,710,856	1,955,535		80	1,976,868	"
Tau Miau Motor Co., Ltd.	15,153,573	1,342,355	-	103,304	-	(39,399)	15,153,573	1,406,260		63	954,675	"
Kau Du Automobile Co., Ltd.	22,161,150	1,287,020	-	79,363	-	(34,545)	22,161,150	1,331,838		37	819,963	"
Carmax Co., Ltd.	12,240,000	944,275	10,710,000	393,713	-	(202,828)	22,950,000	1,135,160		49	1,124,550	"
Taipei Toyota Motor Co., Ltd.	25,438,987	848,882	-	127,156	-	(57,907)	25,438,987	918,131		44	1,119,315	"
Kuotu Motor Co., Ltd.	17,553,761	843,038	-	95,265	-	(23,409)	17,553,761	914,894		52	912,796	"
Nan Du Motor Co., Ltd.	14,806,073	805,807	-	114,094	-	(49,040)	14,806,073	870,861		59	873,558	"
Toyota Material Handling Taiwan Ltd.	44,490,027	695,994	4,326,902	102,932	-	(105,668)	48,816,929	693,258		14	683,437	"
Eastern Motor Co., Ltd.	24,934,976	298,056	3,671,243	45,260	-	-	28,606,219	343,316		12	343,275	"
Lang Yang Toyota Motor Co., Ltd.	2,000,000	276,321	-	11,954	-	(6,033)	2,000,000	282,242		75	150,000	"
Formosa Flexible Packaging Corp.	1,007,609	259,852	-	5,420	-	(1,963)	1,007,609	263,309		276	278,100	"
Shi-Ho Screw Industrial Co., Ltd.	211,433	134,188	-	13,836	-	(16,298)	211,433	131,726		609	128,763	"
Yokohama Tire Taiwan Co., Ltd.	3,000	118,381	-	17,307	-	(16,157)	3,000	119,531		41,083	123,249	"
Smart Design Technology Co., Ltd.	960,961	10,026	-	627	-	-	960,961	10,653		11	10,571	"
		\$ 30,581,248		\$ 5,097,335		(\$ 3,333,336)		\$ 32,345,247				

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

Item	Balance as of January 1, 2016	Additions	Deductions	Reclassifications	Balance as of December 31, 2016	Guaranteed or Pledged as collateral
Land						
Cost	\$ 2,143,310	\$ -	\$ -	-	\$ 2,143,310	None
Less: Accumulated impairment	(26,850)	-	-	-	(26,850)	"
Subtotal	2,116,460				2,116,460	"
Revaluation gain	931,497	-	-	-	931,497	"
Buildings and structures						"
Cost	1,163,665	26,157	-	6,598	1,196,420	"
Revaluation gain	96	-	-	-	96	"
Utility equipment	128,832	-	-	-	128,832	"
Office equipment	510,485	53,627	(31,876)	-	532,236	"
Others	5,512	-	-	-	5,512	"
Rental assets	102,176	-	-	-	102,176	"
Construction in progress	4,814	3,074	-	(4,962)	2,926	"
	<u>\$ 4,963,537</u>	<u>\$ 82,858</u>	<u>(\$ 31,876)</u>	<u>\$ 1,636</u>	<u>\$ 5,016,155</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2016
 (Expressed in thousands of New Taiwan dollars)

STATEMENT 5

Item	Balance as of January 1, 2016	Additions	Deductions	Reclassifications	Balance as of December 31, 2016	Footnote
Buildings and structures	\$ 598,463	\$ 32,373	\$ -	\$ 608	\$ 631,444	
Utility equipment	125,909	596	-	-	126,505	
Office equipment	435,966	26,654	(31,741)	-	430,879	
Others	4,651	265	-	-	4,916	
Rental assets	102,165	6	-	-	102,171	
	<u>\$ 1,267,154</u>	<u>\$ 59,894</u>	<u>(\$ 31,741)</u>	<u>\$ 608</u>	<u>\$ 1,295,915</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

Item	Balance as of January 1, 2016	Additions	Deductions	Reclassifications	Balance as of December 31, 2016	Guaranteed or Pledged as collateral
Land						
Cost	\$ 755,900	-	\$ -	-	\$ 755,900	None
Revaluation gain	742,263	-	-	-	742,263	"
Buildings and structures						"
Cost	992,039	992	-(	1,636)	991,395	"
Revaluation gain	11,983	-	-	-	11,983	"
	<u>\$ 2,502,185</u>	<u>\$ 992</u>	<u>-(</u>	<u>1,636)</u>	<u>\$ 2,501,541</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

<u>Item</u>	<u>Balance as of January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>Balance as of December 31, 2016</u>	<u>Footnote</u>
Buildings and structures	<u>\$ 433,265</u>	<u>\$ 26,394</u>	<u>\$ -</u>	<u>(\$ 608)</u>	<u>\$ 459,051</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

Item	Quantity	Amount	Footnote
Sales revenue of vehicles			
Sedan	119,995 cars	\$ 99,623,149	
Others	216 cars	516,981	
Sales revenue of parts		10,880,026	
Others		<u>1,298,458</u>	
Subtotal		112,318,614	
Sales returns and allowance		(<u>1,965,020</u>)	
		<u>\$ 110,353,594</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

Item	Description	Amount	Footnote
Initial inventories		\$ 1,633,305	
Add: Merchandise purchase		104,747,910	
Others		23,891	
Less: Ending inventories		(5,554,393)	
Reclassified to fixed assets and expenses		(16,664)	
Gain on physical inventory observation		(323)	
Others		(6,871)	
Operating costs		<u>\$ 100,826,855</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

Item	Description	Amount	Footnote
Wages and salaries		\$ 613,746	Including pension costs
Advertisement expense		684,571	
Freight		295,761	
Miscellaneous		445,932	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 2,040,010</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 11

Item	Description	Amount	Footnote
Wages and salaries		\$ 931,768	Including pension costs
Miscellaneous		308,250	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 1,240,018</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

Item	Description	Amount	Footnote
Net gain on financial assets at fair value through profit or loss		\$ 63,642	
Net currency exchange gain		34,406	
Depreciation charges on investment property	(	26,394)	
Gain on disposal of investments		15,620	
Miscellaneous disbursements	(	127)	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 87,147</u>	

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HO TAI MOTOR CO., LTD.
STATEMENT OF FINANCE COSTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Interest expense		<u>\$ 19,872</u>	

Note: As of December 31, 2016, the interest rate range of short-term loans were between 1.10% and 1.19%.

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HO TAI MOTOR CO., LTD.
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

STATEMENT 14

	By function	Years ended December 31,					
		2016			2015		
		Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
By nature							
Employee benefit expense							
Wages and salaries		\$ -	\$ 1,518,869	\$ 1,518,869	\$ -	\$ 1,542,395	\$ 1,542,395
Labour and health insurance fees		-	58,506	58,506	-	57,540	57,540
Pension costs		-	26,645	26,645	-	25,852	25,852
Other employee benefit expenses		-	81,338	81,338	-	77,851	77,851
Subtotal		-	1,685,358	1,685,358	-	1,703,638	1,703,638
Depreciation		-	86,288	86,288	-	93,836	93,836
Amortization		-	-	-	-	1,692	1,692

Note: As of December 31, 2016 and 2015, the Company had 562 and 567 employees, respectively.

Year ended December 31, 2016

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

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended		Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote		
					December 31, 2016	December 31, 2016								Item	Value					
																			Yes	\$
1	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables			\$	204,187	\$	75	2.15%		-	Operations	\$	-	None	\$	246,178	\$	246,178
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	376,248	232,031	-	2.15%	"	-	"	-	"	-	"	-	296,450		296,450
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	116,942	102,094	10	2.15%	"	-	"	-	"	-	"	-	146,554		146,554
4	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	106,773	83,531	4,040	2.15%	"	-	"	-	"	-	"	-	106,369		106,369
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	564,372	510,468	27	2.15%	"	-	"	-	"	-	"	-	417,038		417,038
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	49,742	46,406	-	2.15%	"	-	"	-	"	-	"	-	135,467		135,467
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	345,742	297,000	12	2.15%	"	-	"	-	"	-	"	-	240,569		240,569
8	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	244,053	222,750	335	2.15%	"	-	"	-	"	-	"	-	233,106		233,106
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	45,760	41,766	-	2.15%	"	-	"	-	"	-	"	-	91,059		91,059
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	10,169	6,961	4,869	2.15%	"	-	"	-	"	-	"	-	179,182		179,182
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	"	79,587	74,250	-	2.15%	"	-	"	-	"	-	"	-	209,789		209,789
12	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	"	"	99,483	92,812	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	"	"	223,838	208,828	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	"	"	177,955	125,297	6,820	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	"	"	127,111	69,609	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	"	"	198,967	185,625	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	"	223,838	208,828	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	"	"	198,967	185,625	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	"	"	223,838	208,828	-	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	"	"	137,280	116,016	36,764	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	"	"	167,786	153,141	106,885	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248
12	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	"	"	24,871	23,203	5,986	4.35%	"	-	"	-	"	-	"	-	3,185,624		6,371,248

Table 2

[illegible]

Ho Tai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock – Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	\$ 474,195	0.17%	\$ 474,195	
	-Shihlin Electric & Engineering Corporation Etc.	None	"	-	88,678	0.00% ~ 0.42%	88,678	
	Taian Insurance Co., Ltd. Etc.	-	"	-	224,011	0.04% ~ 3.10%	224,011	
	Beneficiary certificates							
	-CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	45,809,780	\$ 500,000	-	\$ 500,032	
	-Mega Diamond Money Market Fund	Not applicable	"	48,320,591	600,000	-	600,059	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	"	48,872,129	500,000	-	500,104	
	-Jih Sun Money Market Fund	Not applicable	"	20,454,917	300,000	-	300,067	
	-FSITC Taiwan Money Market Fund	Not applicable	"	19,809,957	300,000	-	300,073	
	-Nomura Taiwan Money Market Fund	Not applicable	"	30,936,957	500,000	-	500,031	
Hozan Investment Co., Ltd.			Valuation adjustment of financial assets	-	366	-	-	
			Total		\$ 2,700,366		\$ 2,700,366	
	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 2,767	0.50%	\$ 2,767	
	Beneficiary certificates							
	-Prudential Financial Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	18,542,659	\$ 290,028	-	\$ 290,404	
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	"	2,248,048	23,000	-	23,004	
			Valuation adjustment of financial assets		380	-	-	
			Total		\$ 313,408		\$ 313,408	
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	16,616,816	\$ 170,000	-	\$ 170,038	
Chang Yuan Motor Co., Ltd.			Valuation adjustment of financial assets	30,607,007	380,000	-	380,087	
			Total		125	-	-	
			Valuation adjustment of financial assets		\$ 550,125		\$ 550,125	
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	34,196,730	\$ 348,092	-	\$ 349,932	
			Valuation adjustment of financial assets		1,840			
			Total		\$ 349,932		\$ 349,932	
	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 3,197	0.06% ~ 0.50%	\$ 3,197	
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	33,584,671	343,000	-	\$ 343,669	
Carmax Co., Ltd.			Valuation adjustment of financial assets		669		-	
			Total		\$ 343,669		\$ 343,669	
	Stock - First Financial Holding Co. Ltd.	-	Available-for-sale financial assets - non-current	-	\$ 909	-	\$ 909	
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,363	0.06% ~ 0.61%	3,363	
	Beneficiary certificates							
	-Hua Nan Phoenix Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	14,287,752	230,000	-	230,232	
	-Yunta Wan Tai Money Market Fund	Not applicable	"	3,332,778	50,000	-	50,027	
	-CTBC Hwa-win Money Market Fund	Not applicable	"	4,583,246	50,000	-	50,028	
			Valuation adjustment of financial assets		287		-	
			Total		\$ 330,287		\$ 330,287	
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					
			Valuation adjustment of financial assets					
			Total					
	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current					
	Beneficiary certificates							
	-Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current					
			Valuation adjustment of financial assets					
			Total					
Ho Tai Development Co., Ltd.								
	Stock - First Financial Holding Co. Ltd.	-	Available-for-sale financial assets - non-current					
	Ho An Insurance Agency Co., Ltd. Etc.	-	"					
	Beneficiary certificates							
	-Hua Nan Phoenix Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current					
	-Yunta Wan Tai Money Market Fund	Not applicable	"					
	-CTBC Hwa-win Money Market Fund	Not applicable	"					
			Valuation adjustment of financial assets					
			Total					

Securities held by	Type and name of securities	Relationship with the securities issuer	As of December 31, 2016				
			General ledger account	Number of shares	Book value	Ownership (%)	Fair value
Ho Tai Service & Marketing Co., Ltd.	Best Denki Co., Ltd.	None	Available-for-sale financial assets – non-current	2,862	\$ 8	0.03%	\$ 8
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 2,767	0.50%	\$ 2,767
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 2,767	0.50%	\$ 2,767
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	"	-	\$ 24,550	10.50%	\$ 24,550

Ho Tai Motor Co., Ltd.

Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

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

Table 4

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investee	Balance as at January 1, 2016			Addition			Disposal			Balance as at December 31, 2016		
					Number of shares	Amount		Number of shares	Amount		Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Ho Tai Motor Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -		22,433,093	\$ 300,000			\$ 300,256	\$ 300,000	\$ 256	-	\$ -
Ho Tai Motor Co., Ltd.	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-		18,805,123	300,000			300,241	300,000	241	-	-
Ho Tai Motor Co., Ltd.	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	18,617,582	300,000		30,936,957	500,000			300,393	300,000	393	30,936,957	500,000
Ho Tai Motor Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	69,048,185	700,000		58,661,463	600,000			805,814	800,000	5,814	48,872,129	500,000
Ho Tai Motor Co., Ltd.	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	61,610,189	900,000		20,454,917	300,000			902,830	900,000	2,830	20,454,917	300,000
Ho Tai Motor Co., Ltd.	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	2,838,732	500,000		-	-			501,067	500,000	1,067	-	-
Ho Tai Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	47,947,204	590,022		48,320,591	600,000			594,747	590,022	4,725	48,320,591	600,000
Ho Tai Motor Co., Ltd.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-		19,809,957	300,000			-	-	-	19,809,957	300,000
Ho Tai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-		45,809,780	500,000			-	-	-	45,809,780	500,000
Ho Tai Motor Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	6,220,646	100,000		32,938,344	530,000			400,077	400,000	77	14,287,752	230,000
Hozan Investment Co., Chang Yuan	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-		19,819,766	310,000			20,000	19,972	28	18,542,659	290,028
Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-		30,607,007	380,000			-	-	-	30,607,007	380,000

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

Year ended December 31, 2016

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

Table 5

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			Sales	\$			Normal	Normal	\$		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates		23,057,057	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	346,479	21%	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	21,113,662	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	196,873	12%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	16,924,153	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	198,448	12%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	15,022,821	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	252,749	15%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	13,217,116	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	233,487	14%	
Ho Tai Motor Co., Ltd.	Kuotai Motor Co., Ltd.	"	"	12,961,396	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	189,933	12%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,204,526	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	14,607	1%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,287,846	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	16,996	1%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	1,483,619	1%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	"	111,623	7%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	847,989	1%	Collection at sight	Normal	"	25,371	2%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	45,838,144	44%	7 days end of week, interest bearing from transaction date	Not applicable	"	588,523	8%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	"	34,867,033	33%	Closes its accounts 15 days after the end of each month	"	"	(4,023,207)	53%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	"	"	2,104,897	2%	Closes its accounts 15 days after the end of each month	"	"	(266,918)	3%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,209,170	1%	Closes its accounts 16 days after the end of each month	"	"	(149,125)	2%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	703,987	1%	Closes its accounts 16 days after the end of each month	"	"	(76,989)	1%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	332,143	-	Closes its accounts 15 days after the end of each month	"	"	(8,425)	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Sale USA	"	"	673,199	1%	Closes its accounts 15 days after the end of each month	"	"	(106,658)	1%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	1,483,619	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(111,623)	23%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	6,979,220	69%	7 days after invoice date	"	"	(101,343)	21%	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Sales	536,955	5%	14 days after invoice date	Normal	"	47,918	2%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	382,119	3%	Collection at sight	"	"	-	-	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	145,057	1%	7 days after invoice date	"	"	3,651	-	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	Purchases	263,226	57%	Closes its accounts 15 days after the end of each month	Not applicable	"	(28,926)	56%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Sales	1,209,170	21%	Closes its accounts 16 days after the end of each month	Normal	"	149,125	16%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	"	646,374	11%	Closes its accounts 35 days after the end of each month	"	"	150,425	16%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	543,090	10%	Closes its accounts 35 days after the end of each month	"	"	118,616	13%	
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	"	"	501,012	9%	Closes its accounts 25 days after the end of each month	"	"	57,944	6%	
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd.	"	"	377,741	7%	Closes its accounts 40 days after the end of each month	"	"	78,227	8%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	367,996	7%	Closes its accounts 40 days after the end of each month	"	"	70,004	8%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	"	186,250	3%	Closes its accounts 30 days after the end of each month	"	"	17,366	2%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	"	"	227,440	4%	Closes its accounts 40 days after the end of each month	"	"	50,075	5%	
Carmax Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Purchases	235,931	5%	Closes its accounts 21 days after the end of each month	"	"	(14,555)	2%	
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	"	"	6,412,068	16%	Payment at sight	"	"	(101,057)	20%	
Hotai Finance Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	4,705,844	11%	Payment at sight	"	"	(350)	0%	
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	5,357,020	13%	Payment at sight	"	"	(125,745)	25%	
Hotai Finance Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	4,146,810	10%	Payment at sight	"	"	(97,378)	20%	
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	4,041,610	10%	Payment at sight	"	"	(77,556)	16%	

Differences in transaction terms compared

Transaction			to third party transactions		Notes/accounts receivable (payable)		Footnote				
Relationship with the counterparty	Counterparty	Purchaser/seller	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
Associates	Nan Du Motor Co., Ltd.	Hoi Tai Finance Co., Ltd.	Purchases	\$ 3,430,196	8%	Payment at sight	Normal	Normal	\$ 21,119	4%	Note
	Eastern Motor Co., Ltd.	Hoi Tai Finance Co., Ltd.	"	759,566	2%	Payment at sight	"	"	(2,040)	-	
"	Lang Yang Toyota Motor Co., Ltd.	Hoi Tai Finance Co., Ltd.	"	604,473	1%	Payment at sight	"	"	(5,460)	1%	
Parent company	Ho Tai Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	847,989	8%	Payment at sight	"	"	(25,371)	24%	
Associates	Taipei Toyota Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	1,307,233	12%	Payment at sight	"	"	-	-	
"	Kuota Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	1,113,313	10%	Payment at sight	"	"	-	-	
"	Tau Maat Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	895,299	8%	Payment at sight	"	"	-	-	
"	Central Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	837,637	8%	Payment at sight	"	"	(656)	1%	
"	Kau Du Automobile Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	735,038	7%	Payment at sight	"	"	-	-	
"	Nan Du Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	595,541	5%	Payment at sight	"	"	-	-	
"	Chang Yuan Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	382,119	3%	Payment at sight	"	"	-	-	
"	Hongung Motor Co., Ltd.	Hoi Tai Leasing Co., Ltd.	"	173,246	2%	Payment at sight	"	"	-	-	
Parent company	Hohung Motors Co., Ltd.	Hoi Tai Leasing Co., Ltd.	Sales	110,246	2%	3 days after invoice date	"	"	548	-	
	Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	174,027	39%	Closes its accounts 60 days after the end of each month	"	"	28,619	52%	
Subsidiary	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Purchases	174,027	2%	Closes its accounts 60 days after the end of each month	"	"	(28,619)	12%	
Parent company	Ho Tai Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	"	2,204,526	90%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(14,607)	75%	
Associates	Hoi Tai Finance Co., Ltd.	Eastern Motor Co., Ltd.	Sales	759,566	29%	Collection at sight	"	"	2,040	2%	
	Toyota Motor (China)Investment Co., Ltd.	Shanghai Helling Motor Service Co., Ltd.	Purchases	2,640,443	96%	Payment in advance	"	"	-	-	
"	Toyota Motor (China) Investment Co., Ltd.	Chongqing Helling Lexus Motor Sales & Service Co., Ltd.	"	1,783,536	94%	Payment in advance	"	"	-	-	
"	Toyota Motor (China) Investment Co., Ltd.	Nanchang Helling Lexus Motors Sales & Service Co., Ltd.	"	1,329,530	94%	Payment in advance	"	"	-	-	
"	Toyota Motor (China) Investment Co., Ltd.	Tangshan Helling Lexus Motor Sales & Service Co., Ltd.	"	1,282,184	99%	Payment in advance	"	"	-	-	
"	Toyota Motor (China) Investment Co., Ltd.	Tianjin Helling Lexus Motor Sales & Service Co., Ltd.	"	892,199	98%	Payment in advance	"	"	-	-	
"	Toyota Motor (China) Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	167,225	14%	Payment in advance	"	"	-	-	
Note: Hoi Tai Leasing Co., Ltd. purchases vehicles for renting services, the related assets are reported under property, plant, and equipment.											

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

Ho Tai Motor Co., Ltd.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2016

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

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable \$ 346,479 Other receivables 6,243	72.65	\$ -	None	\$ 346,479	\$ -
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Accounts receivable \$ 196,873 Other receivables 5,904	92.92	-	"	6,243 196,873	-
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable \$ 198,448 Other receivables 5,053	79.44	-	"	5,904 198,448	-
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable \$ 252,749 Other receivables 4,399	66.96	-	"	5,053 252,749	-
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable \$ 233,487 Other receivables 4,408	73.69	-	"	4,399 233,487	-
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable \$ 189,933 Other receivables 37,894	64.46	-	"	4,408 189,933	-
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable \$ 111,623 Other receivables 15,596	14.77	-	"	37,894 111,623	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent Company	Accounts receivable \$ 149,125	9.13	-	"	15,596	-
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Accounts receivable \$ 150,425	35.76	-	"	149,125	-
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	Accounts receivable \$ 118,616	48.22	-	"	150,425	-
					-	"	118,616	-

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

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

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 1,483,619	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	886,945	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Warranty cost	187,830	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	111,623	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	847,989	Collection sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales allowances	225,186	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	92,165		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	149,125		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,204,526	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	"	382,119	Collection sight	-
1	Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accrued expenses	87,539		-
2	Hotai Leasing Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	69,509		-
4	Ho Tai Development Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	91,261		-
5	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	777,803	Collection sight	-
6	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	1,209,170	Closes its accounts 16 days after the end of each month	1%
6	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accounts receivable	149,125		-
7	Ho Tai Service & Marketing Co., Ltd	Ho Tai Development Co., Ltd.	3	Sales revenue	174,027	Closes its accounts 60 days after the end of each month	-
8	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other receivables	106,885		-
9	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	87,797		-

Note 1 : The numbers filled for inter-company transactions are as follows:

1.The parent company is numbered "0".

2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

1.The parent company to the subsidiary.

2.The subsidiary to the parent company.

3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at ending period;

Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.
Names, locations and other information of investee companies (not including investees in Mainland China)
Year ended December 31, 2016

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

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
				Balance at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 650,182	\$ 650,182		100.00	\$ 8,247,139	\$ 1,131,332	\$ 1,131,439	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts repairing of vehicles and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	4,396,283	5,950,897	1,780,424	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,849,866	58,897,360	100.00	3,334,725	318,327	318,327	Subsidiaries
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	265,000,000	100.00	3,581,958	292,490	292,490	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,969	2,098,969	15,000,000	20.00	2,408,428	602,112	117,348	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	1,955,535	628,946	289,206	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,333,514	1,333,514	15,153,573	20.00	1,406,260	452,959	85,918	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Trading of vehicle products/accessories	1,236,592	1,236,592	22,161,150	20.00	1,331,838	421,250	78,047	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	"	153,030	153,030	22,950,000	51.00	1,135,160	771,752	393,594	Subsidiary
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	918,131	348,209	121,211	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kuon Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.05	914,894	460,122	92,254	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	870,861	473,291	112,028	"
Ho Tai Motor Co., Ltd.	Toyota Maerial Handling Taiwan Ltd.	"	"	50,000	50,000	48,816,929	100.00	693,258	102,932	102,932	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	"	80,000	80,000	28,606,219	100.00	343,316	44,443	44,443	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	282,242	63,182	11,954	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	5,557	5,557	1,007,609	45.54	263,309	11,900	5,419	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	131,726	65,450	13,836	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of fires and inner tubes.	3,000	3,000	3,000	25.00	119,531	69,230	17,308	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	10,653	3,133	627	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	112,875	112,875	3,500,000	70.00	94,827	8,162	-	"

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Footnote
				Balance at December 31, 2016	Balance as at December 31, 2015		Number of shares	Ownership (%)	Book value			
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	\$ 38,700	\$ 38,700		1,200,000	40.00	\$ -	15,625	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	779,742	779,742	\$	231,183,006	66.03	5,681,580	1,271,973	-	Subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of light passenger vehicles	181,907	181,907		70,395,061	66.04	1,971,404	450,576	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756		3,475,571	18.29	276,443	71,235	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	"	Trading of used vehicles	-	12,000		-	-	-	13,388	-	Note
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77		2,000	0.00	96	348,209	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	488,588	488,588		15,150,000	50.50	701,743	131,378	-	Subsidiary
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Taiwan	Trading of used vehicles	-	20,400		-	-	-	2,335	-	Note
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	"	"	-	30,600		-	-	-	13,857	-	"
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	"	"	-	18,600		-	-	-	13,388	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	478,912	478,912		14,850,000	49.50	687,008	131,378	-	Subsidiary
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	"	96,750	96,750		3,000,000	100.00	123,399 (	1,623)	-	"
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their parts	50,000	50,000		5,000,000	100.00	238,577	73,080	-	"
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	"	Advertisement making	2,400	2,400		240,000	30.00	1,091	1,901	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating.	8,820	8,820		882,000	49.00	8,125	2,176	-	"
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242		2,968,016	61.77	32,472	3,133	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500		138,718	100.00	15,248	12,320	-	"
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	96,750	96,750		3,000,000	100.00	123,399 (	1,623)	-	"

Note: The Company lost the power of control of that company in the fourth quarter of 2016. Please refer to the consolidated financial statements Note 4(3).

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016				Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan	Remittance from Taiwan to Mainland China as of December 31, 2016	Remittance from Taiwan to Mainland China as of December 31, 2016							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 2,516,951	Note 1.1	\$ 369,263	\$ -	\$ -	\$ -	\$ 369,263	\$ 300,865	100.00	\$ 300,865	\$ 3,185,624	\$ -	-	Note 2.2
Shanghai Hoyo Motor Service Co., Ltd.	Sales and repairing of vehicles	108,683	Note 1.1	108,683	-	-	-	108,683	28,560	100.00	28,560	246,178	-	-	"
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	"	139,218	Note 1.5	11,852	-	-	-	11,852	-	10.50	-	11,852	13,327	-	"
Beijing Hoyo Toyota Motor Sales and Service Co., Ltd.	"	96,750	Note 1.2	32,250	-	-	-	32,250	(15,625)	40.00	(1,599)	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	193,500	Note 1.1	193,500	-	-	-	193,500	78,085	100.00	78,085	417,038	-	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	96,750	"	96,750	-	-	-	96,750	41,395	100.00	41,395	146,554	-	-	"
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	161,250	Note 1.2	112,825	-	-	-	112,825	8,162	70.00	5,713	94,827	-	-	"
Shanghai Heling Motor Service Co., Ltd.	"	112,875	Note 1.3	84,656	-	-	-	84,656	97,567	100.00	97,567	296,450	-	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	139,218	Note 1.1	12,698	-	-	-	12,698	-	10.50	-	12,698	-	-	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	141,900	Note 1.7	141,900	-	-	-	141,900	(1,638)	100.00	(1,638)	106,369	-	-	"
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	299,925	Note 1.1	299,925	-	-	-	299,925	(22,569)	100.00	(22,569)	91,059	-	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	187,050	"	187,050	-	-	-	187,050	39,852	100.00	39,852	240,569	-	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	209,625	"	209,625	-	-	-	209,625	37,700	100.00	37,700	233,106	-	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	967,500	Note 1.6	967,500	-	-	-	967,500	131,378	66.03	86,758	916,829	-	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	46,406	Note 1.4	-	-	-	-	-	2,473	66.03	1,633	32,206	-	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	96,750	Note 1.6	96,750	-	-	-	96,750	(1,623)	45.01	(859)	55,539	-	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	387,000	Note 1.4	-	-	-	-	-	6,754	100.00	6,754	209,789	-	-	Note 2.2
Tianjin Hozhan Motor Service Co., Ltd.	"	318,345	"	-	-	-	-	-	9,104	100.00	9,104	179,182	-	-	"
Linyi Hoyo Toyota Motor Sales and Service Co., Ltd.	"	387,000	"	-	-	-	-	-	(4,695)	35.00	(1,643)	72,794	-	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,893	Note 1.7	42,893	-	-	-	42,893	37,224	51.00	18,984	125,245	-	-	"
Guangzhou Gac Changho Autotech Corporation	"	102,985	"	46,343	-	-	-	46,343	51,117	22.95	11,731	80,006	5,218	-	"
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	322,500	Note 1.4	-	-	-	-	-	9,408	35.00	3,293	49,641	-	-	"
Taizhou Kaudu Lexus Motor Sale Service Co.,Ltd.	"	483,750	"	-	-	-	-	-	(476)	35.00	(167)	122,900	-	-	Note 2.3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016				Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2016	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan									
					\$	\$	\$	\$							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	\$ 387,000	Note 1.4	\$ -	-	\$ -	-	\$ -	21,000	35.00	\$ 7,350	\$ -	-	-	Note 2.2
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	"	354,750	"	-	-	-	-	-	37,674	35.00	(13,186)	59,985	-	-	Note 2.3
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	13,922	"	-	-	-	-	-	5,179	60.00	3,108	10,439	-	-	Note 2.2
Shanghai Guangxin Cultural Media Co., Ltd	Design and production of advertisements	4,641	"	-	-	-	-	-	735	100.00	735	5,343	-	-	"

Note 1: The investmets are classified as follows:

1.Through investment in an existing company located in third area.

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

3.Investment in Mainland China companies through an existing company established in a third region and Mainland China.

4.Investment in Mainland China companies through an existing company established in Mainland China.

5.Including 25% of Shanghai Heling Motor Service Co., Ltd. shares with a book value of \$74,113 thousand.

6.Investment in Mainland China companies through a company invested and established in a third region by the subsidiary.

7.Direct investment in Mainland China.

Note 2 : The amount of investment income (loss) recognized for the year ended December 31, 2016 is based on:

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

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

3.Others.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
		\$	\$	
Ho Tai Motor Co., Ltd.		1,763,298	2,929,416	30,347,454

VI. Finance Overview

6. Any cash flow difficulties in the Company and its affiliates during the most recent year and as of the date of this Annual Report: N/A

VII. Review of Financial Conditions, Operating Results, and Risk Management



VII. Financial Status, Operating Results and Risk Management

1. Financial Condition

Unit: in thousand NT\$

Item \ Year	2016	2015	Change	
			Amount	%
Current Assets	127,756,095	110,659,017	17,097,078	15
Noncurrent Assets	51,160,481	52,973,297	(1,812,816)	(3)
Total Assets	178,916,576	163,632,314	15,284,262	9
Current Liabilities	108,898,823	98,628,113	10,270,710	10
Long-term liabilities	19,438,664	19,227,239	211,425	1
Total Liabilities	128,337,487	117,855,352	10,482,135	9
Equity	5,461,792	5,461,792	0	0
Capital Reserve	263,060	263,060	0	0
Retained Earnings	36,718,917	32,530,119	4,188,798	13
Other Equities	662,473	1,109,168	(446,695)	(40)
Non-controlling Interest	7,472,847	6,412,823	1,060,024	17
Total Equity	50,579,089	45,776,962	4,802,127	10
Analysis of percentage changes: • Current assets increased primarily due to higher receivables in 2016. • Current liabilities increased primarily due to increased short-term borrowings in 2016.				

VII. Financial Status, Operating Results and Risk Management

2. Financial Performance

(1) Analysis of Financial Performance

Unit: in thousand NT\$

Item \ Year	2016	2015	+(-) Amount	+(-)%
Net Revenues	172,531,900	160,607,628	11,924,272	7
Cost of Goods Sold	(149,547,920)	(139,402,826)	(10,145,094)	(7)
Gross Profit	22,997,971	21,176,935	1,821,036	9
Operating Expenses	(12,801,127)	(12,056,395)	(744,732)	(6)
Operating Income	10,196,844	9,120,540	1,076,304	12
Other Income (Expense)	4,350,541	4,100,226	250,315	6
Income before Income Taxes	14,547,385	13,220,766	1,326,619	10
Provision for Income Taxes	(2,488,486)	(2,338,273)	(150,213)	(6)
Net Income	12,058,899	10,882,493	1,176,406	11
Other Comprehensive Income (Loss), Net of Tax	(512,966)	(70,023)	(442,943)	(633)
Comprehensive Income	11,545,933	10,812,470	733,463	7
Net Income Attributable to Hotai Motor Co., Ltd.	10,740,039	9,776,591	963,448	10
Net Income Attributable to Non-controlling Interest	1,318,860	1,105,902	212,958	19
Comprehensive Income Attributable to Hotai Motor Co., Ltd.	10,301,281	9,706,323	594,958	6
Comprehensive Income Attributable to Non-controlling Interest	1,244,652	1,106,147	138,505	13

1. Analysis of percentage changes:

(1) The negative number in other comprehensive income (loss), net of tax, primarily resulted from reduced exchange difference from translating foreign currency amounts in the financial statements of foreign affiliates in 2016.

(2) Gross profit increased primarily due to recovery of economy and lower oil prices which drove growth in the vehicle market and vehicle sales in 2016.

2. The Company's main business has not changed.

3. For more information regarding forecasted sales in the coming year and assumptions, as well as factors that may affect the Company's expectations of continued growth or decline in sales, refer to "2017 Business Outlook" on page 2 of the Annual Report.

(2) Analysis of Changes in Gross Profit: N/A

VII. Financial Status, Operating Results and Risk Management

3. Cash Flows

(1) Liquidity Analysis

	December 31, 2016	December 31, 2015	+(-)%
Cash Flow Ratio	12.64%	15.51%	(2.87%)
Cash Flow Adequacy Ratio	48.70%	42.50%	6.20%
Cash Reinvestment Ratio	8.35%	11.69%	(3.34%)

Analysis of ratio changes:

- (1) The decrease in the cash flow ratio was primarily attributable to lower net cash from operating activities.
- (2) The improvement of the cash flow adequacy ratio was primarily attributable to increased net cash from operating activities.
- (3) The change in the cash reinvestment ratio was primarily due to declined net cash from operating activities and higher cash dividends declared.

(2) Projection of Fiscal Year 2017 Cash Flows and Liquidity Analysis

Unit: in thousand NT\$

Cash and Cash Equivalents at Beginning of Year (1)	Projected Net Cash from Operating Activities (2)	Projected Net Cash from Investing and Financing Activities (3)	Projected Surplus (Deficit) of Cash and Cash Equivalents at End of Year (1)+(2)-(3)	Measures for Managing Cash Deficit	
				Investment Plans	Financing Plans
12,024,515	12,910,248	(14,975,493)	9,959,270	—	—

1. Analysis of projected cash flows:

- (1) The Company expects stable business growth in 2017 and that its operating activities will generate net cash flow.
- (2) The net cash flow is expected to be offset by investing and financing activities, primarily payment of cash dividends, equipment purchases, and construction of new facilities.

2. Measures for managing potential cash deficit and liquidity analysis: N/A

VII. Financial Status, Operating Results and Risk Management

4. Major Capital Expenditures and Impact on Financial Condition

(1) Major Capital Expenditures and Capital Resources:

Project	Time		Capital Resources	Target	Amount
Purchasing shares of the dealers	2013	October	Owned Funds	20% of Tau Miao Motor Co., Ltd. shares	1,333,514,000
				20% of Lang Yang Toyota Motor Co., Ltd. shares	256,000,000
				20% of Kau Du Automobile Co., Ltd. shares	1,236,592,000
	2014	June	Owned Funds	20% of Central Motor Co., Ltd. shares	2,100,000,000
		December		As of December 31, 2014, the Company has gained 20.05% of the total number of issued shares through the proposal that Kuotu Motor Co., Ltd. increases capital by cash.	889,502,000

Unit: in thousand NT\$

	Hotai investment income recognized under equity method				Cash Dividends Hotai Receives			
	2013	2014	2015	2016	2013	2014	2015	2016
Tau Miao Motor Co., Ltd	17,014	100,501	60,566	85,918	-	60,614	75,768	39,399
Lang Yang Toyota Motor Co., Ltd	12,885	15,191	10,559	11,954	-	3,600	14,000	6,000
Kau Du Automobile Co., Ltd	24,282	73,386	50,206	78,047	-	48,755	44,322	33,242
Central Motor Co., Ltd	-	62,550	75,964	117,348	-	-	45,000	45,000
Kuotu Motor Co., Ltd	25,499	29,668	68,500	92,254	-	2,423	17,554	17,554
Total	79,680	281,296	265,795	385,521	-	115,392	196,644	141,195

(2) Expected Benefits:

In addition to strengthening the relationship with the dealers, investments in the dealers of the automotive industry would facilitate bilateral strategy development. Gains from investments in affiliates also increase overall income of the group.

VII. Financial Status, Operating Results and Risk Management

5. Investment Policy of the Latest Fiscal Year, Reasons for Gains or Losses, Improvements and Investment Plan for the Coming Year

(1) Investment Policy

The investments we have made are primarily in the automotive industry. The Company focuses on developing distribution channels for convertibles, commercial and industrial vehicles while building up its portfolio by investing in automotive related businesses, including CPO cars, auto accessories, installment sales, rental and leasing, auto insurance, and Toyota dealerships in China. Going forward, we will continue combining group resources and expand the Company's diversified portfolio.

(2) Profitability

Gains from our investments in affiliates and joint ventures recognized using the equity method was NT\$2.467 billion in the 2016 consolidated financial statements, while gains from our investments in subsidiaries, affiliates and joint ventures recognized using the equity method was NT\$5.009 billion in the 2016 individual financial statements. These investments accounted for 20.46% and 46.64% of the total net income in the respective financial statements, highest in recent years. The gains were mainly attributed to investments in Kuozui Motors, Ltd. ("Kuozui Motors"), Hotai Finance Co., Ltd. ("Hotai Finance"), Hotai Leasing Co., Ltd. ("Hotai Leasing"), our dealers, and Carmax Co., Ltd.

After the losses recognized suffered from our investments in China in 2012, the Company launched the "Business Operations in China Support Project Team" the following year, a three-stage plan to improve our financial performance in China: Stage 1: Enhance the functions of our regional headquarters in China, Hoton Motor Investment Co., Ltd. ("Hoton Motor") (2013-2014) (1. Increase effectiveness of cash pooling; 2. Enhance the management functions of Hoton Motor as the regional headquarters for our China operations; 3. Focus on human resources development and talent pipeline building; 4. Establish internal audit and internal control systems; 5. Maintain relationships with suppliers and government authorities.). Stage 2: Increase the competitiveness of our affiliates in China (2014-2015) (1. Improve sales and service capabilities of each affiliate; 2. Increase gains in other businesses; 3. Seek support on our policies from suppliers). Stage 3: Integrating Hotai Group Value Chain (2015 to present) (1. Supply chain planning and integration; 2. Centralized purchasing).

Utilizing the three-stage improvement plan, we have seen our China operations gradually become more profitable. In 2016, the recognized gains from investments in our affiliates in China was NT\$318 million, setting an all-time record.

(3) 2017 Investment Plans

In January 2017, we acquired 99.8% of the equities in Zurich Insurance (Taiwan) Ltd. through our affiliate, Ho-Jan Investment Co., Ltd. (as of March 1, 2017, Zurich Insurance (Taiwan) Ltd. has been renamed as Hotai Insurance Co, Ltd.). This year, we have also invested in 40% of the equities in Heng Yun Investment Co., Ltd. In Mainland China, we acquired 100% equity of Shanghai Inchcape Motor Sale & Servie Co., Ltd. in January 2017 (as of February, 2017, Shanghai Inchcape Motor Sale & Servie Co., Ltd. has been renamed as Shanghai Yangpu Heling Motor Sale & Service Co, Ltd.). Except as otherwise disclosed herein, the Company currently has no other confirmed major investment plans.

VII. Financial Status, Operating Results and Risk Management

6. Risk Factors Provide Evaluations and Analysis of the Following Items over the Latest Fiscal Year and as of the Date of the Annual Report

(1) Impact of Interest Rates, Foreign Exchange, and Inflation on the Gains or Losses of the Company, and Measures for Managing Risks:

Risk management is carried out by the financial division of each group company in accordance with policies approved by the Board of Directors of the Company. The Group's financial divisions, which work closely with the Group's operational divisions, are responsible for identifying, evaluating, and hedging against financial risks. The Board of Directors has established written guidelines for risk management and provided written policies in selected areas of market risks.

1. Interest Rate Risk

We are exposed to market risks resulting from certain fixed interest rate loans taken out by the Company's subsidiaries, Hotai Finance, Hotai Leasing, and Hoyun International Lease Co., Ltd. Based on the Company's 2016 balance sheet, we estimate that an increase or decrease of 1% in market interest rate would increase or decrease the fair market value of the loans by NT\$841,583 thousand.

2. Foreign Exchange Risk

- (1) Hotai Group has operations worldwide and is therefore exposed to changes in foreign currency rates, primarily in U.S. dollars and Renminbi. The foreign exchange risk mainly arises from future business transactions, net assets and liabilities, and net investment in foreign affiliates.
- (2) The management of Hotai Group has established a policy that requires each group company to manage foreign exchange transaction risk arising from functional currency. Through its own financial division, each group company is to hedge its foreign currency exposure. Foreign currency contracts are used by each group company to manage risks arising from future business transactions and net assets and liabilities. A group company is exposed to foreign exchange transaction risk and translation risk when the future transaction or net assets and liabilities are denominated in non-functional currency of such group company.
- (3) Significant business of Hotai Group involves several non-functional currencies (the functional currency of the Company and certain subsidiaries is New Taiwan dollars, and Renminbi for some other subsidiaries), and is, therefore, exposed to changes in foreign currency rates. For more information regarding foreign currency denominated assets and liabilities that are exposed to major foreign exchange risks, refer to the 2016 Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm.

3. Inflation Risk

The operations of the Company have not been materially impacted by exposure to inflation within the latest fiscal year and as of the date of the Annual Report.

(2) Policies for High-risk Leveraged Investments, Fund Lending to Third Parties, Endorsement and Guarantee of Obligations, Transactions in Financial Derivatives, Reasons for Gains or Losses, and Measures for Managing the Risks:

VII. Financial Status, Operating Results and Risk Management

1. High-risk Leveraged Investment

Hotai Group has not made any high-risk leveraged investments.

2. Fund Lending, Endorsement and Guarantee of Obligations

The management of Hotai Group has established a policy that requires each group company to adopt its own Procedures for Fund Lending and Procedures for Providing Endorsement and Guarantee of Obligations for internal control purpose. Fund lending and endorsement and guarantee of obligations that occurred in 2016 were borrowings between subsidiaries in the ordinary course of business and guarantees provided for bank financing. No losses were attributed to fund lending or endorsement and guarantee of obligations in 2016.

3. Transaction in Financial Derivatives

The management of Hotai Group has established a policy that requires each group company to follow the Procedures for Financial Derivative Transactions when entering into transactions in financial derivatives. Some of the derivative financial instruments used by the Company for hedging in 2016 include foreign currency forward contracts in U.S. dollar terms and cross currency swaps.

(3) Future R&D Programs and Projected R&D Expenses:

As an auto distributor, we dedicate our business exclusively to vehicle sales and marketing, therefore, we have no future R&D programs or projected R&D expenses. Toyota Motor Corporation and Kuozui Motors are responsible for the manufacturing and research and development of our products.

(4) Risks Associated with Government Policy and Regulatory Changes and Impact on Financial Condition and Operations:

Hotai Group closely monitors and complies with amendments to applicable laws and regulations, such as corporate governance rules and the Company Act, prescribed by regulatory authorities. As of the date of the Annual Report, no such changes would materially impact the financial condition or operations of the Company.

(5) Impact of Changes in Technology and Industry on the Company's Financial Condition and Operations and Measures for Managing Associated Risks:

With the growing prevalence of the internet and Wi-Fi, increased processor speeds, as well as lower costs, efficiency of instant remote access improved, allowing accelerated data retrieval for our account analysis purposes and further benefiting the overall operations of the Company.

(6) Risks Associated with Brand Image and Impact on Crisis Management

Hotai Motor is the distributor of the well-known auto brands such as TOYOTA, LEXUS, HINO, and Toyota industrial equipment. We strive to deliver high quality products and innovative services to our customers. It is our commitment to customers and ability to exceed consumer expectations that have allowed us to maintain the leading brand in the automotive industry. We have also remained dedicated to corporate social responsibility, reaching out to underprivileged communities, promoting environmental and road traffic safety awareness, and offering other education and art programs to the general public. We

VII. Financial Status, Operating Results and Risk Management

have established and maintained a positive brand image without any negative events affecting our reputation.

(7) Expected Benefits of Mergers and Acquisitions and Risks Associated: N/A

(8) Expected Benefits of Capacity Expansion and Risks Associated: N/A

(9) Risks Associated with Concentration of Sales and Measures for Managing the Risks

1. The automotive industry is highly concentrated. The parent company, Hotai Motor Co., Ltd., sells all series of Toyota and Lexus vehicles from Toyota Motor Corporation and Hino Motors, Ltd., auto parts and accessories, as well as vehicles, auto parts and accessories manufactured by Kuozui Motors. However, from our established long-term partnerships with manufacturers, we are able to limit exposure to the risks associated with supply concentration.
2. According to the dealership contracts entered into by the Company and our dealers, the dealers are authorized to sell Toyota and Lexus vehicles, auto parts and accessories in their respective sales territories; these being the characteristics of distribution channels. Therefore, the Company is not subject to risks associated with sales concentration.

(10) Impact of Transfer of Significant Number of Shares by Directors, Supervisors, and/or Major Shareholders Holding 10% or More of the Total Outstanding Shares, Risks Associated: N/A

(11) Impact of Change in Ownership and Risks Associated: N/A

(12) Disclosure of issues in dispute, amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the Annual Report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, subsidiaries or affiliates are involved in pending litigation, legal proceedings, or administrative proceedings, or a judgement or ruling without prejudice which may have a material adverse effect on the Company's shareholder equity or price of securities.

(13) Other Material Risks: N/A

7. Other Material Disclosures: N/A

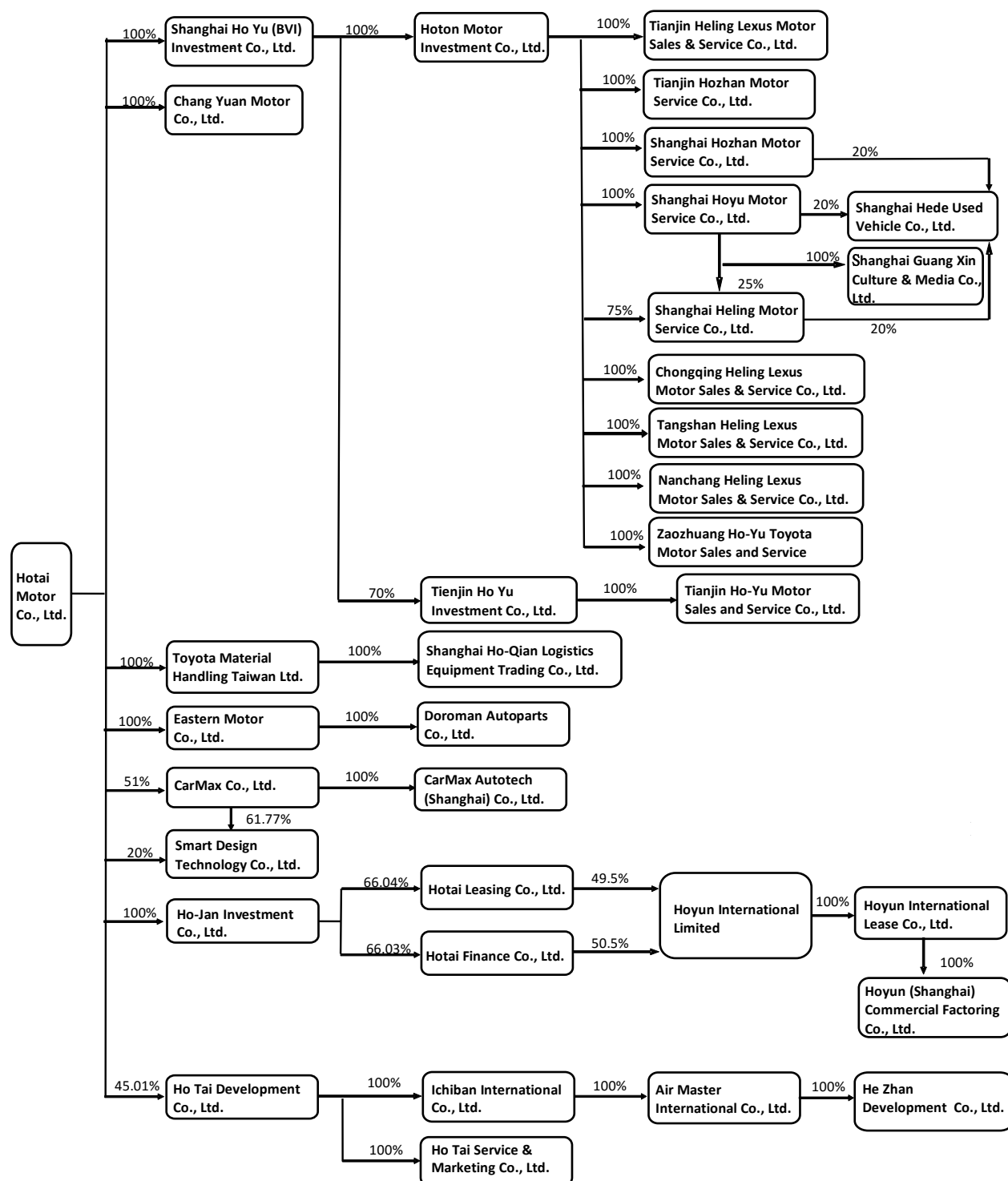
VIII. Special Disclosure



VIII. Specific Notes

1. Subsidiaries

(1) Hotai Subsidiaries Chart(As of December 31, 2016)



VIII. Specific Notes

(2) Group Company Profiles

As of December 31, 2016

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Chang Yuan Motor Co., Ltd.	September 25, 1998	10F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$2,650,000,000	Sales of vehicles and parts and repairing of vehicles
Toyota Material Handling Taiwan Ltd.	September 10, 2002	12F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$488,169,290	Sales of vehicles and parts and repairing of vehicles
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	May 20, 2008	No. 515, Caonong Rd., Xinqiaozen, Songjiang Dist., Shanghai, China	US\$4,400,000	Sales of vehicles and parts for industry use
Eastern Motor Co., Ltd.	April 6, 2009	1F, No.247, Sec. 2, Zhongshan Rd., Ji'an Township, Hualien County, Taiwan	NT\$286,062,190	Sales of vehicles and parts and repairing of vehicles
Doroman Autoparts Co., Ltd.	June 18, 2014	1F, No.247, Sec. 2, Zhongshan Rd., Ji'an Township, Hualien County, Taiwan	NT\$1,387,180	Wholesale and retail of vehicles parts and accessories
Carmax Co., Ltd.	September 29, 1987	No.1, Jilin Rd., Zhongli Dist., Taoyuan City, Taiwan	NT\$450,000,000	Trading of vehicle products/accessories
Carmax Autotech (Shanghai) Co., Ltd.	January 18, 2011	Building 1, No. 28, Rongshu Rd., Rongbeizhen Town, Songjiang Dist., Shanghai, China	US\$1,330,000	Trading of vehicle products/accessories
Smart Design Technology Co., Ltd.	August 31, 2006	20F-8, No.5, Sec. 3, New Taipei Blvd., Xinzhuang Dist., New Taipei City, Taiwan	NT\$48,048,050	Electronic parts and components manufacturing
Hozan Investment Co., Ltd.	April 22, 1999	9F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$5,621,053,489	Reinvestment company
Hotai Leasing Co., Ltd.	May 24, 1999	15F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$1,065,907,310	Leasing of light passenger vehicles
Hotai Finance Co., Ltd.	May 25, 1999	15F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$3,501,031,850	Installment trading and leasing of various vehicles
Hoyun International Limited	January 27, 2006	P.O. Box 957, Offshore Incorporations Centre, Roadtown, Tortola, British Virgin Islands ²	US\$30,000,000	General investment
Hoyun International Lease Co., Ltd.	January 29, 2007	Building D, 9F, No. 427, Nujiang N. Rd., Putuo Dist., Shanghai City, China	US\$30,000,000	Leasing, wholesale, retail of and support service for vehicles
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	August 7, 2014	Room A72, 1F, No. 477, Fute West 1 st Rd., Pilot Free Trade Zone, Shanghai, China	RMB\$10,000,000	Factoring services
Ho Tai Development Co., Ltd.	October 4, 1963	1-7F, No.18, Ln. 36, Xinhua 1 st Rd., Neihu Dist., Taipei City, Taiwan	NT\$549,028,080	Agent for sales of air conditioning system and contracting of air conditioning construction

VIII. Specific Notes

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Ho Tai Service & Marketing Co., Ltd.	October 8, 2007	1-4F, No.18, Ln. 36, Xinhua 1 st Rd., Neihu Dist., Taipei City, Taiwan	NT\$50,000,000	Repairing of air conditioning equipment and trading of their parts
Ichiban International Co., Ltd.	October 13, 2005	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$3,000,000	General investment
Air Master International Co., Ltd.	November 11, 2005	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$3,000,000	General investment
He Zhan Development Co., Ltd.	March 12, 2007	Room 701A, No. 300, Xuanhua Rd., Changning Dist., Shanghai, China	US\$3,000,000	Trading of air conditioning equipment
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	April 11, 1995	P.O. Box 957, Offshore Incorporations Centre, Roadtown, Tortola, British Virgin Islands	US\$58,897,360	Reinvestment in Mainland China, trading and repairing of vehicles and their parts
Hotong Motor Investment Co., Ltd.	May 20, 2010	Room 1513 and 1514, No.238, Jiangchang 3 rd Rd., Zhabei Dist., Shanghai, China	US\$78,045,000	Operation decision making, capital using and financial management, information services, employee trainings and other services
Shanghai Hoyu Motor Service Co., Ltd.	February 13, 1996	No. 999, Huqingping Hwy., Minhang Dist., Shanghai, China	US\$3,370,000	Sales and repairing of vehicles
Shanghai Heling Motor Service Co., Ltd.	December 30, 2003	No. 1411, Tongpu Rd., Putuo Dist., Shanghai, China	US\$3,500,000	Sales and repairing of vehicles
Shanghai Hozhan Motor Service Co., Ltd.	March 20, 2007	No. 2058, Lianhua S. Rd., Minhang Dist., Shanghai, China	US\$3,000,000	Sales and repairing of vehicles
Shanghai Hede Used Vehicle Co., Ltd.	January 24, 2014	Room A, Level 1F, Building 1, NO. 999, Huqingping Hwy., Minhang Dist., Shanghai, China	RMB\$3,000,000	Trading of used vehicles
Shanghai Guangxin Cultural Media Co., Ltd.	May 19, 2016	Room 507, Building E, 6F, No. 1000, Zhenchen Rd., Baoshan Dist., Shanghai, China	RMB\$1,000,000	Designing and manufacturing of various kinds of advertisements
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	April 17, 2006	No. 8 of No. 88, Jinyu Rd., Chongqing Economic and Technological Development Park, New North Zone, Chongqing, China	US\$6,000,000	Sales and repairing of vehicles
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	August 4, 2008	No. 590, Kaiyue Rd., Kaiping Dist., Tangshan, Hebei, China	US\$5,800,000	Sales and repairing of vehicles
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	November 6, 2008	No. 509, Liantang N Ave., Liantang Town, Nanchang County, Jiangxi, China	US\$6,500,000	Sales and repairing of vehicles
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	July 23, 2008	No. 1, Fuxing Rd., Zhangfan Town, Xuecheng Dist., Zaozhuang City, Shandong, China	US\$9,300,000	Sales and repairing of vehicles
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	June 9, 2010	Intersection of Saida 3 rd Ave. and Saida 4 th Branch Rd., Xiqing Economic Development Area, Tianjin, China	US\$12,000,000	Sales and repairing of vehicles

VIII. Specific Notes

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Tianjin Hozhan Motor Service Co., Ltd.	November 19, 2010	No. 11, Saida 4 th Branch Rd., Xiqing Economic Development Area, Tianjin, China	RMB\$68,600,000	Sales and repairing of vehicles
Tienjin Ho Yu Investment Co., Ltd.	February 5, 2002	P.O. Box 957, Offshore Incorporations Centre, Roadtown, Tortola, British Virgin Islands	US\$5,000,000	Reinvestment in Mainland China, trading and repairing of vehicles and their parts
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	July 31, 2002	No. 299, Weijin S. Rd., Tianjin, China	US\$5,000,000	Sales and repairing of vehicles

- (3) Any affiliate or subsidiary whose management of personnel, financial or business operations is directly or indirectly controlled by the Company pursuant to Article 369-2, Paragraph 2 of the Company Act: N/A
- (4) Any company which is considered controlled by, subordinated to, or affiliated with the Company pursuant to Article 369-3 of the Company Act: N/A
- (5) Industries involved in the Hotai Group companies' business: see "2. Group Company Profiles"

VIII. Specific Notes

(6) Directors, Supervisors, and President of our Group Companies

As of December 31, 2016

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
Chang Yuan Motor Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Ko, Junn-Yuan, Su, Shih-An, Huang, Nan-Kuang, Su, Chwen-Shing, Chang, Tien-Chun, Tsai, Ching-Feng, and Lin, Shih-Yuan	265,000,000	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Leon Soo and Huang, Wen-Jui		
	President	Tsai, Ching-Feng	—	—
Toyota Material Handling Taiwan Ltd.	Director	Hotai Motor Co., Ltd., represented by Huang, Chih-Cheng, Liu, Chuan-Hung, and Hsiao, Hsing-Chien	48,816,929	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Huang, Tao-Tien		
	President	Hsiao, Hsing-Chien	—	—
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Director	Toyota Material Handling Taiwan Ltd., represented by Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, Roger Huang, and Hsiao, Hsing-Chien	US\$4,400,000	100%
	Supervisor	Toyota Material Handling Taiwan Ltd., represented by Su, Maick		
	President	Li, Jui-Chung	—	—
Eastern Motor Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Su, Chwen-Shing, Wu, Chia-Yen, Lin, Shih-Yuan, Liu, Chuan-Hung, and Lin, Jen-Chieh	28,606,219	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Chen, Chien-Chou		
	President	Lin, Jen-Chieh	—	—
Doroman Autoparts Co., Ltd.	Director	Eastern Motor Co., Ltd., represented by Lin, Jen-Chieh, Yang, Chang-Lung, and Shao, Li-Fa	138,718	100%
	Supervisor	Eastern Motor Co., Ltd., represented by Chang, Hsiao-Jung		
	President	Yang, Chang-Lung	—	—
Carmax Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Su, Chwen-Shing, Katsuhito Ohno, and Lai, Hung-Ta	22,950,000	51.00%
		J-TACS Corp., represented by Takashi Sakai and Yutaka Matsuzaki	15,030,000	33.40%
	Supervisor	Hoyu Investment Co., Ltd., represented by Huang, Nan-Kuang	7,020,000	15.60%
	President	Lai, Hung-Ta	—	—
Carmax Autotech (Shanghai) Co., Ltd.	Director	Carmax Co., Ltd., represented by Lai, Hung-Ta, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$1,330,000	100%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
	Supervisor	Carmax Co., Ltd., represented by Ko, Wang-Te		
	President	Yeh, Hsiang-Chi	—	—
Smart Design Technology Co., Ltd.	Director	Carmax Co., Ltd., represented by Lai, Hung-Ta and Liu, Chuan-Hung	2,968,016	61.77%
		Chen, Yang-Ming	593,495	12.35%
	Supervisor	Hotai Motor Co., Ltd., represented by Yeh, Chia-Han	960,961	20.00%
	President	Chen, Yang-Ming	593,495	12.35%
Hozan Investment Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Huang, Nan-Kuang and Su, Chwen-Shing,	NT\$5,621,053,489	100%
Hotai Leasing Co., Ltd.	Director	Hozan Investment Co., Ltd., represented by Tien, Tien-Ming, Huang, Nan-Kuang, Su, Chwen-Shing, Leon Soo, Huang, Chen-Wei, and Fred Hsieh	70,395,061	66.04%
		Toyota Financial Services Corporation, represented by Yasuhiro Yomoda	35,601,299	33.40%
	Supervisor	Su, Se-I	—	—
		Katsuhito Ohno	—	—
	President	Fred Hsieh	—	—
Hotai Finance Co., Ltd.	Director	Hozan Investment Co., Ltd., represented by Tien, Tien-Ming, Huang, Nan-Kuang, Su, Chwen-Shing, Leon Soo, Huang, I-Jan, and Lin, Yen-Liang	231,183,006	66.03%
		Toyota Financial Services Corporation, represented by Yasuhiro Yomoda	116,934,460	33.40%
	Supervisor	Roger Huang	—	—
		Katsuhito Ohno	—	—
	President	Lin, Yen-Liang	—	—
Hoyun International Limited	Director	Su, Shih-Pang, Huang, Wen-Jui, and Ko, Wen-Sheng	US\$30,000,000	100%
Hoyun International Lease Co., Ltd.	Director	Hoyun International Limited, represented by Tien, Tien-Ming, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Yasuhiro Yomoda	US\$30,000,000	100%
	Supervisor	Hoyun International Limited, represented by Ko, Wang-Te		
	President	Li, Chia-Feng	—	—
Hoyun (Shanghai) Commercial	Director	Hoyun International Lease Co., Ltd., represented by Tien, Tien-Ming	RMB\$10,000,000	100%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
Factoring Co., Ltd.	Supervisor	Hoyun International Lease Co., Ltd., represented by Ko, Wang-Te		
	President	Li, Chia-Feng	—	—
Ho Tai Development Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Su, Yi-Chung, Huang, Chih-Cheng, Chang, Tien-Chun, Ko, Wang-Chung, and Wang, Hsuan-Lang	24,710,856	45.01%
		Hozao Enterprise Co., Ltd., represented by Su, Shih-Pang and Huang, I-Jan	9,382,796	17.09%
		Ho-Shan Development Co., Ltd., represented by Chuang, Yu-Jen	40	0.00%
		Jin Ji Investment Enterprise Co., Ltd., represented by Leon Soo	2,049,525	3.73%
		Daikin Industries, Ltd., represented by Kitawaki Akio	5,490,281	10.00%
	Supervisor	Jin Yuan Shan Investment Co., Ltd., represented by Su, Yin and Su, Maick	4,857,882	8.85%
	President	Wang, Hsuan-Lang	—	—
Ho Tai Service & Marketing Co., Ltd.	Director	Ho Tai Development Co., Ltd., represented by Wang, Hsuan-Lang, Li, Liang-Yi, Lin, Hung-Chih, Chang, Yu-Cheng, and Liu, Yi-Yuan	5,000,000	100%
	Supervisor	Ho Tai Development Co., Ltd., represented by Chen, Ai-Ling		
	President	Wang, Hsuan-Lang	—	—
Ichiban International Co., Ltd.	Director	Ho Tai Development Co., Ltd., represented by Wang, Hsuan-Lang and Chuang, Yu-Jen	US\$3,000,000	100%
Air Master International Co., Ltd.	Director	Ichiban International Co., Ltd., represented by Wang, Hsuan-Lang and Chuang, Yu-Jen	US\$3,000,000	100%
He Zhan Development Co., Ltd.	Director	Air Master International Co., Ltd., represented by Wang, Hsuan-Lang, Chen, Li-Hung, and Li, Liang-Yi	US\$3,000,000	100%
	Supervisor	Air Master International Co., Ltd., represented by Chuang, Yu-Jen		
	President	Chien, Hung-Yu	—	—
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Director	Su, Shih-Pang, Huang, Wen-Jui, and Ko, Wen-Sheng	US\$58,897,360	100%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
Hotong Motor Investment Co., Ltd.	Director	Shanghai Ho-Yu (BVI) Investment Co., Ltd., represented by Huang, Nan-Kuang, Su, Chwen-Shing, Huang, Chih-Cheng, Leon Soo, Huang, I-Jan, Ko, Wang-Te, Katsuhito Ohno, and Wang, Shih-Hao	US\$78,045,000	100%
	Supervisor	Shanghai Ho-Yu (BVI) Investment Co., Ltd., represented by Su, Shih-Pang		
	President	Leon Soo	—	—
Shanghai Hoyu Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$3,370,000	100%
		Shanghai Hua Tsao Real Estate Development Co., Ltd., represented by Lu, Yung-Te	—	—
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shih-Pang	US\$3,370,000	100%
	President	Lan, Li-Yun	—	—
Shanghai Heling Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$2,625,000	75.00%
		Shanghai Hoyu Motor Service Co., Ltd., represented by Chang, Chia-Jung	US\$875,000	25.00%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te	US\$2,625,000	75.00%
	President	Li, Chiang	—	—
Shanghai Hozhan Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$3,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Lu, Chien	—	—
Shanghai Hede Used Vehicle Co., Ltd.	Director	Shanghai Heling Motor Service Co., Ltd., Shanghai Hoyu Motor Service Co., Ltd., and Shanghai Hozhan Motor Service Co., Ltd., represented by Leon Soo, Huang, I-Jan, Wang, Shih-Hao, Chang, Chia-Jung, and Ho, Chao-Hao.	RMB\$1,800,000	60%
		Shanghai Te Shih Tung Used Vehicle Co., Ltd., represented by Liu, Kuo-Chiang, Chou, Chi-Yueh, and Jen, Hsiao	RMB\$1,200,000	40%
	Supervisor	Shanghai Heling Motor Service Co., Ltd., Shanghai Hoyu Motor Service Co., Ltd., and Shanghai Hozhan Motor Service Co., Ltd., represented by Kung, Chuan-Sheng	RMB\$1,800,000	60%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
		Shanghai Te Shih Tung Used Vehicle Co., Ltd., represented by Tsao, Hsien-Chiang	RMB\$1,200,000	40%
	President	Chou, Chi-Yueh	—	—
Shanghai Guangxin Cultural Media Co., Ltd.	Director	Shanghai Hoyu Motor Service Co., Ltd., represented by Leon Soo	RMB\$1,000,000	100%
	Supervisor	Shanghai Hoyu Motor Service Co., Ltd., represented by Wang, Shih-Hao		
	President	Leon Soo		
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chang, Chia-Jung, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$6,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Tseng, Chao-Fan	—	—
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chang, Chia-Jung, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$5,800,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Maick		
	President	Wu, Ching-Nan	—	—
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$9,300,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shih-Pang		
	President	Chen, I-Ming	—	—
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chang, Chia-Jung, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$6,500,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Maick		
	President	Hsieh, Yung-Ta	—	—
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chang, Chia-Jung, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$12,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Liang, Ching-Hsing	—	—
Tianjin Hozhan Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	RMB\$68,600,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Chen, Hsin-Hung	—	—

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
Tienjin Ho Yu Investment Co., Ltd.	Director	Su, Shih-Pang, Huang, Wen-Jui, and Ko, Wen-Sheng	US\$3,500,000	70.00%
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Director	Tienjin Ho Yu Investment Co., Ltd., represented by Wang, Shih-Hao, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$5,000,000	100%
	Supervisor	Tienjin Ho Yu Investment Co., Ltd., represented by Su, Shih-Pang		
	President	Lin, Chen-Fu	—	—

VIII. Specific Notes

VIII. Specific Notes

(7) Financial Highlights of Group Companies								NT\$ in Thousands
Company Name	Capital	Total Assets	Total Liabilities	Net Asset Value	Operating Revenues	Operating Profit	Net profit or loss for the period	Net Earnings Per Share (NT\$)
HOTAI MOTOR CO.,LTD.	5,461,792	57,323,171	14,216,929	43,106,242	110,353,594	6,279,392	10,740,039	19.66
HOZAN INVESTMENT CO.,LTD.	5,621,053	8,247,188	161	8,247,027	-	-23,361	1,131,332	-
SHANGHAI HO-YU (BVI) INVESTMENT CO., LTD.	1,899,440	3,327,120	-	3,327,120	-	-387	318,327	-
CHANG YUAN MOTOR CO., LTD.	2,650,000	4,508,278	891,940	3,616,338	11,276,776	352,655	292,490	1.10
HO TAI DEVELOPMENT CO., LTD.	549,028	6,980,147	2,562,348	4,417,799	8,928,885	576,687	628,946	11.76
CARMAX CO., LTD.	450,000	3,366,127	1,165,771	2,200,356	5,628,094	843,442	771,752	17.15
SMART DESIGN TECHNOLOGY CO., LTD.	48,048	107,823	55,253	52,570	166,709	3,915	3,133	0.65
TOYOTA MATERIAL HANDLING TAIWAN LTD.	488,169	833,288	128,491	704,797	719,622	115,414	102,932	2.11
EASTERN MOTOR CO., LTD.	286,062	797,131	448,951	348,180	2,679,244	17,467	44,443	1.55
TIENTIN HO YU INVESTMENT CO., LTD.	161,250	135,467	-	135,467	-	-	8,162	-
HOTAI FINANCE CO., LTD.	3,501,032	83,797,366	75,225,897	8,571,469	6,102,138	659,968	1,271,973	3.63
HOTAI LEASING CO., LTD.	1,065,907	25,637,717	22,683,817	2,953,900	15,764,318	375,401	450,576	4.23
HOYUN INTERNATIONAL LIMITED	967,500	1,388,348	-	1,388,348	-	-	131,378	-
ICHIBAN INTERNATIONAL CO., LTD.	96,750	123,222	-	123,222	-	-	-1,623	-
HO TAI SERVICE & MARKETING CO., LTD.	50,000	317,194	78,617	238,577	440,622	61,202	73,080	14.62
DOROMAN AUTOPARTS CO., LTD.	1,387	31,853	16,606	15,247	63,908	14,830	12,320	88.82
AIR MASTER INTERNATIONAL CO., LTD.	96,750	123,222	-	123,222	-	-	-1,623	-
HOTONG MOTOR INVESTMENT CO.,LTD.	2,516,951	3,204,686	38,999	3,165,687	180,983	9,987	300,865	-
SHANGHAI HOYU MOTOR SERVICE CO.,LTD.	108,683	257,936	28,588	229,348	712,484	-475	28,560	-
CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.	193,500	590,785	173,747	417,038	2,182,923	98,737	78,085	-
SHANGHAI HOZHAN MOTOR SERVICE CO.,LTD.	96,750	223,483	76,634	146,849	1,373,945	53,883	41,395	-
TIANJIN HO-YU MOTOR SALES AND SERVICE CO.,LTD.	161,250	215,326	79,858	135,468	837,822	8,531	8,162	-
SHANGHAI HELING MOTOR SERVICE CO.,LTD.	112,875	519,386	222,620	296,766	3,140,770	119,059	97,567	-
SHANGHAI HO-QIAN LOGISTICS EQUIPMENT TRADING CO.,LTD.	141,900	166,592	59,661	106,931	111,150	-1,889	-1,638	-
ZAOZHUANG HO-YU TOYOTA MOTOR SALES AND SERVICE CO.,LTD.	299,925	148,539	57,480	91,059	398,904	-20,901	-22,569	-
TANGSHAN HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.	187,050	385,338	144,769	240,569	1,463,898	47,429	39,852	-
NANCHANG HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.	209,625	369,435	118,607	250,828	1,589,206	49,368	37,700	-
HOYUN INTERNATIONAL LEASE CO., LTD.	967,500	14,555,439	13,167,091	1,388,348	3,154,725	78,419	131,378	-
HOYUN(SHANGHAI) COMMERCIAL FACTORING CO., LTD.	46,406	52,266	2,867	49,399	3,276	2,971	2,473	-
HE ZHAN DEVELOPMENT CO., LTD.	96,750	166,599	43,377	123,222	96,112	-2,537	-1,623	-
TIANJIN HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.	387,000	424,136	214,347	209,789	1,009,659	10,272	6,754	-
TIANJIN HOZHAN MOTOR SERVICE CO.,LTD.	318,345	227,008	47,826	179,182	768,413	14,501	9,104	-
CARMAX AUTOTECH (SHANGHAI) CO.,LTD.	42,893	153,231	27,990	125,241	277,678	47,702	37,224	-
SHANGHAI HEDE USED VEHICLE CO.,LTD.	13,922	25,532	8,134	17,398	35,945	6,396	5,179	-
SHANGHAI GUANGXIN CULTURAL MEDIA CO., LTD.	4,641	5,343	-	5,343	40,665	807	735	-

VIII. Specific Notes

2. Private placement of securities in the most recent fiscal year and as of the date of the Annual Report: NA
3. Shareholding or disposition of shares of the Company by any subsidiaries in the most recent fiscal year and as of the date of the Annual Report: NA
4. Other required disclosures:
 - (1) Any circumstance which has a material effect on shareholder equity or price of the securities stipulated under Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act: NA
 - (2) Other required disclosures in the most recent fiscal year and as of the date of the Annual Report: NA
 - (3) Certification

A summary of the certification of personnel who are involved in the financial transparency of the Company is as follows:

 1. Certified Public Accountant – Republic of China: 3 from the Financial and Accounting Division
 2. Certified Internal Auditor: 1 from the Auditing Division, 1 from Administration Operations Group and 1 from Corporate Planning Division
 3. Certification in Control Self-Assessment: 1 from the Auditing Division



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