

**HOTAI MOTOR COMPANY LIMITED  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2015 AND 2014**

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For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese-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.

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDIT REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2015 AND 2014  
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HOTAI MOTOR CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2015, 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 companies required to be included in the consolidated financial statements of parent and subsidiary companies using International Financial Reporting Standards 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Hotai Motor Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare,

Hotai Motor Co., Ltd.

March 28, 2016

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

To the Board of Directors and Shareholders  
Hotai Motor Company Limited

We have audited the accompanying consolidated balance sheets of Hotai Motor Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, and January 1, 2014, and the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries and investee companies accounted for using equity method. The financial statements of these subsidiaries and investee companies accounted for using equity method were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the reports of other independent accountants. In particular, the financial statements of investee companies, Formosa Flexible Packaging Corp. and Shi-Ho Screw Industrial Co., Ltd., were prepared in accordance with the generally accepted accounting principles in the Republic of China, and we have audited the adjustments to ensure consistency with the accounting policies adopted by Hotai Motor Co., Ltd. The total assets of these subsidiaries (including the balance of investment accounted for using equity method) amounted to NT\$5,067,014 thousand and NT\$4,693,820 thousand, constituting 3.07% and 3.15% of the consolidated total assets as of December 31, 2015 and 2014, respectively, and the net operating revenue amounted to NT\$0 thousand and NT\$386,636 thousand, constituting 0% and 0.24% of the consolidated net operating revenue for the years then ended, respectively. Based on the reports of other independent accountants, the share of profit (loss) and other comprehensive income of associates and joint ventures accounted for using equity method amounted to NT\$306,437 thousand and NT\$351,171 thousand, representing 2.83% and 3.29% of the consolidated total comprehensive income for the years ended December 31, 2015 and 2014, respectively.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hotai Motor Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014 and January 1, 2014, and their financial performance and cash flows for the years ended December 31, 2015 and 2014 in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Hotai Motor Co., Ltd. as of and for the years ended December 31, 2015 and 2014, and have expressed a modified unqualified opinion on those financial statements.

PricewaterhouseCoopers  
Taipei, Taiwan  
Republic of China

March 28, 2016

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and 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.

**HOTAI MOTOR CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015, DECEMBER 31, 2014 AND JANUARY 1, 2014**  
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2015		(Adjusted) December 31, 2014		(Adjusted) January 1, 2014		
		Amount	%	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 10,406,462	6	\$ 7,288,563	5	\$ 9,845,686	7
1110	Financial assets at fair value through profit or loss	6(2)	3,805,448	2	3,129,242	2	2,046,850	2
1135	Derivative financial assets for hedging	6(4)	304,772	-	215,016	-	-	-
1150	Notes receivable, net	6(5) and 8	9,515,166	6	8,535,498	6	8,043,156	6
1160	Notes receivable - related parties, net	6(5) and 7	43,958	-	3,111	-	-	-
1170	Accounts receivable, net	6(5) and 8	73,734,891	45	64,876,815	44	53,217,866	39
1180	Accounts receivable - related parties, net	6(5) and 7	1,963,769	1	591,570	-	1,703,718	1
1200	Other receivables	7	1,436,765	1	1,517,878	1	2,484,251	2
130X	Inventories	6(6)	5,962,436	4	5,314,086	4	7,756,089	6
1410	Prepayments		4,918,793	3	3,417,113	2	3,264,627	3
1470	Other current assets	8	99,071	-	124,302	-	147,538	-
11XX	<b>Total current assets</b>		<u>112,191,531</u>	<u>68</u>	<u>95,013,194</u>	<u>64</u>	<u>88,509,781</u>	<u>66</u>
<b>Non-current assets</b>								
1523	Available-for-sale financial assets	6(3)	829,558	1	887,358	-	892,259	-
1550	Investments accounted for using equity method	6(7)	13,839,712	8	13,622,097	9	9,413,664	7
1600	Property, plant and equipment	6(8) and 8	35,464,467	21	36,763,973	25	33,596,748	25
1760	Investment property, net	6(9)	796,718	-	487,015	-	487,664	-
1780	Intangible assets		-	-	1,692	-	4,726	-
1840	Deferred income tax assets	6(26)	979,376	1	1,020,346	1	1,033,603	1
1900	Other non-current assets	8	1,091,166	1	1,374,276	1	1,086,483	1
15XX	<b>Total non-current assets</b>		<u>53,000,997</u>	<u>32</u>	<u>54,156,757</u>	<u>36</u>	<u>46,515,147</u>	<u>34</u>
1XXX	<b>Total assets</b>		<u>\$ 165,192,528</u>	<u>100</u>	<u>\$ 149,169,951</u>	<u>100</u>	<u>\$ 135,024,928</u>	<u>100</u>

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**HOTAI MOTOR CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015, DECEMBER 31, 2014 AND JANUARY 1, 2014**  
(Expressed in thousands of New Taiwan Dollars)

	Liabilities and equity	Notes	December 31, 2015		(Adjusted) December 31, 2014		(Adjusted) January 1, 2014	
			Amount	%	Amount	%	Amount	%
	<b>Current liabilities</b>							
2100	Short-term loans	6(10)	\$ 35,991,935	22	\$ 39,325,617	26	\$ 39,805,982	30
2110	Short-term notes and bills payable	6(11)	42,713,916	26	30,930,339	21	21,728,390	16
2125	Derivative financial liabilities for hedging	6(4)	16,924	-	248,713	-	287,595	-
2150	Notes payable		125,782	-	40,850	-	80,586	-
2170	Accounts payable		2,969,924	2	1,378,685	1	3,022,385	2
2180	Accounts payable - related parties	7	3,986,085	2	2,497,230	1	4,363,897	3
2200	Other payables	6(14) and 7	4,057,771	2	5,128,441	3	4,399,369	3
2230	Current income tax liabilities	6(26)	1,299,820	1	1,018,451	1	1,050,981	1
2250	Provisions	6(16)	1,320,472	1	1,300,155	1	1,249,238	1
2300	Other current liabilities	6(12)(13)	7,677,998	4	3,980,346	3	2,505,801	2
21XX	<b>Total current liabilities</b>		<u>100,160,627</u>	<u>60</u>	<u>85,848,827</u>	<u>57</u>	<u>78,494,224</u>	<u>58</u>
	<b>Non-current liabilities</b>							
2540	Long-term loans	6(13)	5,046,822	3	8,773,662	6	5,672,479	4
2550	Provisions	6(16)	1,056,213	1	1,026,078	1	993,233	1
2570	Deferred income tax liabilities	6(26)	1,860,088	1	1,811,960	1	1,740,745	1
2600	Other non-current liabilities	6(17)	11,291,816	7	10,625,616	7	9,851,350	8
25XX	<b>Total non-current liabilities</b>		<u>19,254,939</u>	<u>12</u>	<u>22,237,316</u>	<u>15</u>	<u>18,257,807</u>	<u>14</u>
2XXX	<b>Total liabilities</b>		<u>119,415,566</u>	<u>72</u>	<u>108,086,143</u>	<u>72</u>	<u>96,752,031</u>	<u>72</u>
	<b>Equity attributable to shareholders of the parent</b>							
	<b>Share capital</b>	6(18)						
3110	Common stock		5,461,792	3	5,461,792	4	5,461,792	4
	<b>Capital surplus</b>	6(19)						
3200	Capital surplus		263,060	-	263,060	-	263,060	-
	<b>Retained earnings</b>	6(20)						
3310	Legal reserve		7,285,058	5	6,365,384	4	5,600,373	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3350	Unappropriated earnings		24,863,218	15	21,805,767	15	20,584,842	15
	<b>Other equity</b>							
3400	Other equity interest		1,109,168	1	1,114,851	1	750,618	1
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>39,364,139</u>	<u>24</u>	<u>35,392,697</u>	<u>24</u>	<u>33,042,528</u>	<u>24</u>
36XX	<b>Non-controlling interest</b>		<u>6,412,823</u>	<u>4</u>	<u>5,691,111</u>	<u>4</u>	<u>5,230,369</u>	<u>4</u>
3XXX	<b>Total equity</b>		<u>45,776,962</u>	<u>28</u>	<u>41,083,808</u>	<u>28</u>	<u>38,272,897</u>	<u>28</u>
	<b>Commitments and contingent liabilities</b>	9						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 165,192,528</u>	<u>100</u>	<u>\$ 149,169,951</u>	<u>100</u>	<u>\$ 135,024,928</u>	<u>100</u>

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

See report of independent accountants dated March 28, 2016.

**HOTAI MOTOR CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

Items	Notes	2015		(Adjusted) 2014	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(21) and 7	\$ 160,607,628	100	\$ 160,214,136	100
5000 <b>Operating costs</b>	6(6)(24) and 7	( 139,402,826 )	( 87 )	( 140,255,420 )	( 88 )
5900 <b>Gross profit before realized (unrealized) gross profit on sales to associates</b>		21,204,802	13	19,958,716	12
5910 Unrealized profit from sales		( 49,409 )	-	( 21,542 )	-
5920 Realized profit from sales		21,542	-	11,914	-
5950 <b>Gross profit</b>		21,176,935	13	19,949,088	12
<b>Operating expenses</b>	6(24)(25)				
6100 Selling expenses		( 8,095,785 )	( 5 )	( 7,668,156 )	( 5 )
6200 General and administrative expenses		( 3,960,610 )	( 2 )	( 3,801,742 )	( 2 )
6000 <b>Total operating expenses</b>		( 12,056,395 )	( 7 )	( 11,469,898 )	( 7 )
6900 <b>Operating profit</b>		9,120,540	6	8,479,190	5
<b>Non-operating income and expenses</b>					
7010 Other income	6(22) and 7	1,854,910	1	1,722,931	1
7020 Other gains and losses	6(23)	( 170,947 )	-	68,970	-
7050 Finance costs	7	( 61,880 )	-	( 78,423 )	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	2,478,143	1	2,035,472	2
7000 <b>Total non-operating income and expenses</b>		4,100,226	2	3,748,950	3
7900 <b>Profit before income tax</b>		13,220,766	8	12,228,140	8
7950 Income tax expense	6(26)	( 2,338,273 )	( 1 )	( 1,935,575 )	( 1 )
8200 <b>Profit for the year</b>		\$ 10,882,493	7	\$ 10,292,565	7

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**HOTAI MOTOR CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

Items	Notes	2015		(Adjusted) 2014	
		Amount	%	Amount	%
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive loss		(\$ 64,585)	-	(\$ 44,293)	-
8310 <b>Total components of other comprehensive loss that will not be reclassified to profit or loss</b>		( 64,585)	-	( 44,293)	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 29,925)	-	168,582	-
8362 Unrealized gain (loss) from available-for-sale financial assets	6(3)	( 93,334)	-	11,706	-
8363 Gain on effective portion of cash flow hedges	6(4)	13,905	-	71,582	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method - components of other comprehensive income		106,280	-	156,194	-
8399 Income tax related to components of other comprehensive income	6(26)	( 2,364)	-	3,083	-
8360 <b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>		( 5,438)	-	411,147	-
8300 <b>Other comprehensive income (loss) for the year, net of tax</b>		(\$ 70,023)	-	\$ 366,854	-
8500 <b>Total comprehensive income for the year</b>		\$ 10,812,470	7	\$ 10,659,419	7
8610 Owners of parent		\$ 9,776,591	6	\$ 9,195,939	7
8620 Non-controlling interests		1,105,902	1	1,096,626	-
		\$ 10,882,493	7	\$ 10,292,565	7
<b>Comprehensive income attributable to:</b>					
8710 Owners of parent		\$ 9,706,323	6	\$ 9,515,879	6
8720 Non-controlling interests		1,106,147	1	1,143,540	1
		\$ 10,812,470	7	\$ 10,659,419	7
<b>Earnings per share (in dollars)</b>	6(27)				
9750 <b>Basic earnings per share</b>		\$ 17.90		\$ 16.84	
9850 <b>Diluted earnings per share</b>		\$ 17.89		\$ 16.83	

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

See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan Dollars)

	Notes	Equity attributable to shareholders of the parent						Unrealized gain from available-for-sale financial assets	Gain (loss) on effective portion of cash flow hedges	Total	Non-controlling interest	Total equity
		Share capital-common stock	Capital surplus - additional paid-in capital	Retained earnings			Financial statements translation differences of foreign operations					
				Legal reserve	Special reserve	Unappropriated earnings						
<u>2014</u>												
Balance at January 1, 2014 (adjusted)		\$ 5,461,792	\$ 263,060	\$ 5,600,373	\$ 381,843	\$ 20,584,842	\$ 173,701	\$ 636,163	(\$ 59,246)	\$ 33,042,528	\$ 5,230,369	\$ 38,272,897
Appropriation of 2013 earnings:												
Legal reserve	6(20)	-	-	765,011	-	( 765,011)	-	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	( 6,881,858)	-	-	-	( 6,881,858)	( 352,248 )	( 7,234,106)
Participation in investee's capital increase not proportional to ownership												
		-	-	-	-	( 283,852)	-	-	-	( 283,852)	-	( 283,852)
Profit for the year		-	-	-	-	9,195,939	-	-	-	9,195,939	1,096,626	10,292,565
Other comprehensive income for the year		-	-	-	-	( 44,293)	216,569	98,360	49,304	319,940	46,914	366,854
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	( 330,550 )	( 330,550)
Balance at December 31, 2014 (adjusted)		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 6,365,384</u>	<u>\$ 381,843</u>	<u>\$ 21,805,767</u>	<u>\$ 390,270</u>	<u>\$ 734,523</u>	<u>(\$ 9,942)</u>	<u>\$ 35,392,697</u>	<u>\$ 5,691,111</u>	<u>\$ 41,083,808</u>
<u>2015</u>												
Balance at January 1, 2015 (adjusted)		\$ 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	\$ 41,083,808
Appropriation and distribution of 2014 earnings:												
Legal reserve	6(20)	-	-	919,674	-	( 919,674)	-	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	( 5,734,881)	-	-	-	( 5,734,881)	( 394,245 )	( 6,129,126)
Profit for the year		-	-	-	-	9,776,591	-	-	-	9,776,591	1,105,902	10,882,493
Other comprehensive loss for the year		-	-	-	-	( 64,585)	( 17,561)	4,257	7,621	( 70,268)	245	( 70,023)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	9,810	9,810
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>	<u>\$ 6,412,823</u>	<u>\$ 45,776,962</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan Dollars)

	Notes	2015	2014
<u>Cash flows from operating activities</u>			
Consolidated profit before tax		\$ 13,220,766	\$ 12,228,140
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(23)	68,579	( 27,468 )
Bad debts expense and financial guarantee expense		861,933	745,889
Depreciation	6(8)(9)(24)	8,928,881	8,577,071
Amortization	6(24)	17,702	19,498
Provision for (reversal of) loss on rental assets	6(8)	( 771 )	25,221
Net loss (gain) on disposal of property, plant and equipment (including rental property)	6(23)	15,557	( 1,565 )
Share of profit of associates accounted for using equity method	6(7)	( 2,478,143 )	( 2,035,472 )
Impairment loss on financial assets	6(23)	-	1,671
Gain on disposal of investments accounted for using equity method		-	( 1,938 )
Interest expense		1,623,110	1,520,279
Interest income	6(22)	( 3,218,082 )	( 2,890,328 )
Unrealized profit from sales		49,409	21,542
Realized profit from sales		( 21,542 )	( 11,914 )
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		( 744,785 )	( 1,054,924 )
Notes and accounts receivable		( 12,112,723 )	( 12,048,556 )
Inventories		( 648,350 )	2,257,019
Prepayments		( 1,496,410 )	( 162,873 )
Other receivables		81,214	887,171
Other current assets		25,231	18,156
Net changes in liabilities relating to operating activities			
Notes and accounts payable		3,165,026	( 3,435,753 )
Other payables		( 1,039,572 )	752,492
Other current liabilities		1,817,413	990,678
Other non-current liabilities		693,319	975,357
Cash generated from operations		8,807,762	7,349,393
Cash dividends received		2,265,502	1,147,073
Interest paid		( 1,659,478 )	( 1,482,346 )
Income taxes paid		( 1,967,806 )	( 1,881,074 )
Interest received		3,217,981	2,889,602
Net cash provided by operating activities		<u>10,663,961</u>	<u>8,022,648</u>
<u>Cash flows from investing activities</u>			
Acquisition of available-for-sale financial assets		( 32,526 )	( 552 )
Acquisition of investments accounted for using equity method		-	( 3,228,968 )
Proceeds from disposal of investments accounted for using equity method		-	9,526
Decrease in cash due to changes in consolidated entities		-	( 63,257 )
Acquisition of property, plant and equipment	6(8)	( 12,735,512 )	( 16,196,791 )
Proceeds from disposal of property, plant and equipment along with investment property (including rental assets)		4,740,419	4,385,536
Insurance claims on property, plant and equipment		34,132	24,174
Decrease (increase) in other assets - others		203,079	( 460,420 )
Acquisition of investment property	6(9)	( 373 )	-
Repayment of investments		8,862	-
Net cash used in investing activities		<u>( 7,781,919 )</u>	<u>( 15,530,752 )</u>
<u>Cash flows from financing activities</u>			
Decrease in short-term loans		( 3,643,686 )	( 623,652 )
Increase in short-term notes and bills		11,783,577	9,201,949
Proceeds from long-term loans		2,809,941	5,928,374
Repayment of long-term loans		( 4,636,225 )	( 3,291,394 )
Changes in non-controlling interests		( 384,435 )	( 346,368 )
Proceeds from issuing bonds	6(12)	-	1,000,000
Cash dividends paid	6(20)	( 5,734,881 )	( 6,881,858 )
Net cash provided by financing activities		<u>194,291</u>	<u>4,987,051</u>
Net effect of changes in foreign currency exchange rates		41,566	( 36,070 )
Increase (decrease) in cash and cash equivalents		3,117,899	( 2,557,123 )
Cash and cash equivalents at beginning of year		7,288,563	9,845,686
Cash and cash equivalents at end of year		<u>\$ 10,406,462</u>	<u>\$ 7,288,563</u>

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

See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

1. HISTORY AND ORGANIZATION

Hotai 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, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, effective from January 1, 2015, companies with shares listed on the Taiwan Stock Exchange Corporation (“TWSE”) or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and “Regulations Governing the Preparation of Financial Reports by Securities Issuers” effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is as follow:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognized based on corridor approach or recognized in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognized immediately in other comprehensive income when incurred. Past service cost will be recognized immediately in the period incurred and will no longer be amortized using straight-line basis over the average period until the benefits become vested. An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs, rather than when the entity is demonstrably committed to a termination.

The Group recognized previously unrecognized past service cost and as a consequence of elimination of the corridor approach, recognized prior unrecognized actuarial losses by decreasing investments accounted for using equity method by \$3,427 and retained earnings by \$3,427 at January 1, 2014, decreasing investments accounted for using equity method and retained earnings by \$3,812 and \$3,427 at December 31, 2014, respectively, and decreasing share of profit of subsidiaries, associates and joint ventures accounted for using equity method by \$796 and increasing other comprehensive income by \$411 for the year ended December 31, 2014.

**B. IFRS 10, ‘Consolidated financial statements’**

The standard replaces the requirements relating to consolidated financial statements in IAS 27, ‘Consolidated and separate financial statements’ and IAS 27 therefore is renamed ‘Separate financial statements’; the standard also supersedes requirements in SIC-12, ‘Consolidation-special purpose entities’. The standard defines the principle of control that an investor controls an investee only if the investor has all three elements of control.

**C. IAS 1, ‘Presentation of financial statements’**

The amendment requires entities to separate items presented in Other Comprehensive Income (“OCI”) classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

**D. IFRS 12, ‘Disclosure of interests in other entities’**

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

**E. IFRS 13, ‘Fair value measurement’**

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants’ perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Group’s assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

None.

(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 2013 version of IFRSs as endorsed by the FSC are as follows:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective Date Issued by International Accounting Standards Board</u>
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
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
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendment to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendment to IAS 12)	January 1, 2017
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

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

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

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, 2015	December 31, 2014	
Hotai 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	
Hotai Motor Co., Ltd.	Ho-Jan Investment Co., Ltd.	Reinvestment company	100.00	100.00	
Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Hotai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Hotai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	50.23	50.23	
Hotai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	
Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	
Hotai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	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	



<u>Investor</u>	<u>Investee</u>	<u>Main business activities</u>	<u>Ownership (%)</u>		<u>Note</u>
			<u>December 31, 2015</u>	<u>December 31, 2014</u>	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	-	100.00	Note 4
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	-	100.00	Note 3
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	-	100.00	Note 4
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hoton Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	100.00	100.00	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	
Hoton Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	Note 4
Hoton Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & 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 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
Ho-Jan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	66.04	66.04	

Investor	Investee	Main business activities	Ownership (%)		Note
			December 31, 2015	December 31, 2014	
Ho-Jan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	66.03	66.03	
Ho-Jan Investment Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	20.00	20.00	Note 1
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	51.00	
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	31.00	31.00	Note 1
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	Trading of used vehicles	51.00	51.00	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	Note 1
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	-	Note 3
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	-	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: The share ownership was sold to the subsidiary, Toyota Material Handling Taiwan Ltd., in the third quarter of 2015 due to the reorganization of entities in China.

Note 4: The share ownership was transferred to the subsidiary, Hoton Motor Investment Co., Ltd., in the third quarter of 2015 due to the reorganization of the entities in China.

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, 2015 and 2014, the non-controlling interest amounted to \$6,412,823 and \$5,691,111, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>			
		<u>December 31, 2015</u>		<u>December 31, 2014</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 2,908,779	33.967%	\$ 2,614,880	33.967%
Hotai Leasing Co., Ltd.	Taiwan	902,740	33.958%	835,937	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Hotai Finance Co., Ltd.</u>	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 85,991,991	\$ 74,927,335
Non-current assets	4,431,308	6,494,403
Current liabilities	( 76,267,404)	( 66,215,196)
Non-current liabilities	( 5,592,351)	( 7,508,247)
Total net assets	<u>\$ 8,563,544</u>	<u>\$ 7,698,295</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 1,899,739	\$ 1,833,574
Non-current assets	23,900,457	23,432,316
Current liabilities	( 11,410,884)	( 9,969,279)
Non-current liabilities	( 11,730,910)	( 12,834,932)
Total net assets	<u>\$ 2,658,402</u>	<u>\$ 2,461,679</u>

Statements of comprehensive income

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Revenue	\$ 12,582,202	\$ 12,234,158
Profit before income tax	1,512,929	1,553,955
Income tax expense	( 310,245)	( 333,419)
Profit for the year	<u>1,202,684</u>	<u>1,220,536</u>
Other comprehensive income (loss) for the year, net of tax	( 1,013)	123,609
Total comprehensive income for the year	<u>\$ 1,201,671</u>	<u>\$ 1,344,145</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 408,172</u>	<u>\$ 456,566</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Revenue	\$ 15,118,913	\$ 14,448,490
Profit before income tax	492,993	569,718
Income tax expense	( 171,324)	( 160,742)
Profit for the year	<u>321,669</u>	<u>408,976</u>
Other comprehensive income (loss) for the year, net of tax	( 6,427)	24,740
Total comprehensive income for the year	<u>\$ 315,242</u>	<u>\$ 433,716</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 107,050</u>	<u>\$ 147,281</u>

#### Statements of cash flows

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Net cash used in operating activities	(\$ 7,990,297)	(\$ 9,637,541)
Net cash provided by (used in) investing activities	143,944	( 2,768,561)
Net cash provided by financing activities	7,045,280	12,826,795
Net effect of changes in foreign currency exchange rates	<u>105,108</u>	<u>64,439</u>
(Decrease) increase in cash and cash equivalents	( 695,965)	485,132
Cash and cash equivalents, beginning of year	<u>1,217,651</u>	<u>732,519</u>
Cash and cash equivalents, end of year	<u>\$ 521,686</u>	<u>\$ 1,217,651</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 6,798,001	\$ 6,523,149
Net cash used in investing activities	( 7,025,963)	( 7,583,962)
Net cash provided by financing activities	<u>252,767</u>	<u>1,022,945</u>
Increase (decrease) in cash and cash equivalents	<u>24,805</u>	( 37,868)
Cash and cash equivalents, beginning of year	<u>231,394</u>	<u>269,262</u>
Cash and cash equivalents, end of year	<u>\$ 256,199</u>	<u>\$ 231,394</u>

#### (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 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.

(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) Loans and receivables

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/ 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. Cost of inventories of Ho Tai Development Co., Ltd. is determined using the weighted-average method, while cost of others 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. If each component of property, plant and equipment is significant in relation to the total cost of the item, it 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	5 ~ 50 years
Utility equipment	3 ~ 10 years
Office equipment	3 ~ 20 years
Machinery and equipment	2 ~ 15 years
Rental assets	2 ~ 15 years
Leasehold improvements	3 ~ 15 years

(16) 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.

(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) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 ~ 5 years.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group'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' remuneration and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation 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.

(29) 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.

(30) 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.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved 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.

(32) 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.

#### (33) 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, the Company not only offers a three-year/100,000-kilometer basic warranty coverage, but also a fourth year/20,000-kilometer extra 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(16) "Provisions" for more information.

#### C. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash on hand and petty cash	\$ 16,671	\$ 15,615
Checking accounts and demand deposits	3,098,122	3,572,529
Cash equivalents		
Time deposits	436,791	777,641
Short-term notes and bills	6,854,878	2,922,778
	<u>\$ 10,406,462</u>	<u>\$ 7,288,563</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

	December 31,	
	2015	2014
Current items:		
Financial assets held for trading		
Domestic open-ended quasi money market fund	\$ 3,741,190	\$ 2,996,405
Non-hedging derivative instruments	54,417	126,797
Valuation adjustment	9,841	6,040
	<u>\$ 3,805,448</u>	<u>\$ 3,129,242</u>

A. The Group recognized net loss of \$58,721 and gain of \$47,388 on financial assets held for trading for the years ended December 31, 2015 and 2014, respectively.

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

	December 31, 2015		December 31, 2014	
	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	<u>USD 176,790</u>	2015.10.20 ~2016.3.14	<u>USD 202,590</u>	2014.10.9~ 2015.3.13

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

	December 31,	
	2015	2014
Non-current items:		
Listed stocks and unlisted stocks	\$ 361,382	\$ 328,032
Valuation adjustment of available-for-sale financial assets	468,176	559,326
	<u>\$ 829,558</u>	<u>\$ 887,358</u>

The Group recognized loss of \$93,334 and gain of \$11,706 in other comprehensive income for fair value change for the years ended December 31, 2015 and 2014, respectively.

(4) Hedge accounting

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current items:		
Derivative financial assets for hedging - current		
Interest rate swaps-cash flow hedges	\$ -	\$ 250
Cross currency swaps-cash flow hedges	<u>304,772</u>	<u>214,766</u>
	<u>\$ 304,772</u>	<u>\$ 215,016</u>
Derivative financial liabilities for hedging - current		
Interest rate swaps-cash flow hedges	(\$ 763)	(\$ 1,818)
Cross currency swaps-cash flow hedges	( <u>16,161</u> )	( <u>246,895</u> )
	<u>(\$ 16,924)</u>	<u>(\$ 248,713)</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>		Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss	
	Derivative instruments designated as hedges	<u>Fair value</u>			
		December 31, 2015	December 31, 2014		
Long-term and short-term loans	Interest rate swaps	(\$ <u>763</u> )	(\$ <u>1,568</u> )	2012.1~2016.11	2012~2016
Short-term loans	Cross currency swaps	<u>\$ 288,611</u>	(\$ <u>32,129</u> )	2012.8~2018.9	2012~2018

- (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, 2015 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 and 2014, the fixed interest rates on interest rate swaps ranged between 0.993%~1.085%, and 0.893%~1.085%, respectively, and the main floating rates were Tibor three months, TWCP 90 days and Libor/Tibor six months.
- (d) Information about gain or loss arising from cash flow hedges recognized in profit or loss and other comprehensive incomes:

<u>Items</u>	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Amount of gain or loss adjusted in other comprehensive income	\$ 13,905	\$ 71,582
Amount of gain or loss transferred from other comprehensive income to profit or loss	7,863	17,591

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

	December 31,	
	2015	2014
Notes receivable	\$ 1,177,701	\$ 1,192,827
Installment notes receivable	7,826,030	6,842,079
Accounts receivable	4,351,045	3,689,861
Installment accounts receivable	70,083,899	62,723,587
Lease payments and notes receivable	<u>9,451,692</u>	<u>6,082,622</u>
	92,890,367	80,530,976
Less: Unrealized interest income	( 6,464,069)	( 5,393,173)
Allowance for doubtful accounts	<u>( 1,168,514)</u>	<u>( 1,130,809)</u>
Notes and accounts receivable, net	<u>\$ 85,257,784</u>	<u>\$ 74,006,994</u>

As of December 31, 2015 and 2014, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$7,279,574 and \$6,536,610, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to \$1,826,309 and \$1,719,263 as of December 31, 2015 and 2014, respectively.

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

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

	December 31,	
	2015	2014
Up to 12 months	\$ 34,676,808	\$ 33,259,740
Over 12 months	<u>43,233,121</u>	<u>36,305,926</u>
	<u>\$ 77,909,929</u>	<u>\$ 69,565,666</u>

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

(a) As of December 31, 2015 and 2014, a portion of the Group's accounts receivable that were past due had been impaired amounted to \$1,629,078 and \$1,568,076, respectively.

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

	2015	2014
At January 1	\$ 1,130,809	\$ 878,742
Provisions during the year	703,540	552,635
Write-offs during the year	( 664,411)	( 299,832)
Others	<u>( 1,424)</u>	<u>( 736)</u>
At December 31	<u>\$ 1,168,514</u>	<u>\$ 1,130,809</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, 2015 and 2014 were as follows:

	<u>December 31, 2015</u>		
	<u>Total lease payments receivable</u>	<u>Unearned finance income</u>	<u>Net lease payments receivable</u>
Not later than one year	\$ 5,745,974	(\$ 655,680)	\$ 5,090,294
Later than one year but not later than five years	<u>3,705,718</u>	<u>( 464,854)</u>	<u>3,240,864</u>
	<u>\$ 9,451,692</u>	<u>(\$ 1,120,534)</u>	<u>\$ 8,331,158</u>
	<u>December 31, 2014</u>		
	<u>Total lease payments receivable</u>	<u>Unearned finance income</u>	<u>Net lease payments receivable</u>
Not later than one year	\$ 4,331,353	(\$ 529,296)	\$ 3,802,057
Later than one year but not later than five years	1,751,204	( 181,306)	1,569,898
Over five years	<u>65</u>	<u>-</u>	<u>65</u>
	<u>\$ 6,082,622</u>	<u>(\$ 710,602)</u>	<u>\$ 5,372,020</u>

F. 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, 2015</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and their parts	\$ 3,517,670	(\$ 67,764)	\$ 3,449,906
Air conditioner and their 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>

  

	<u>December 31, 2014</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and their parts	\$ 3,555,974	(\$ 65,377)	\$ 3,490,597
Air conditioner and their parts	1,769,260	( 240,755)	1,528,505
Other goods	61,762	( 2,110)	59,652
Inventory in transit	<u>235,332</u>	<u>-</u>	<u>235,332</u>
	<u>\$ 5,622,328</u>	<u>(\$ 308,242)</u>	<u>\$ 5,314,086</u>

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

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cost of goods sold	\$ 139,416,382	\$ 140,269,319
Gain on reversal of inventory write-down	( 13,556)	( 13,899)
	<u>\$ 139,402,826</u>	<u>\$ 140,255,420</u>

The gains on reversal of inventory write-down in 2015 and 2014 were caused by continuous selling of inventories that were previously written-down for inventory valuation and obsolescence loss.

(7) Investments accounted for using equity method

	December 31,	
	2015	2014
Kuozui Motors, Ltd.	\$ 4,822,743	\$ 4,661,550
Central Motor Co., Ltd.	2,338,547	2,221,540
Tau Miao Motor Co., Ltd.	1,342,355	1,374,640
Kau Du Automobile Co., Ltd.	1,287,020	1,284,624
Taipei Toyota Motor Co., Ltd.	848,972	887,962
Kuotu Motor Co., Ltd.	843,038	798,592
Nan Du Motor Co., Ltd.	805,807	795,057
Lang Yang Toyota Motor Co., Ltd.	276,321	280,015
Formosa Flexible Packaging Corp.	259,852	258,717
Shi-Ho Screw Industrial Co., Ltd.	134,188	132,816
Yokohama Tire Taiwan Co., Ltd.	880,869	926,584
	<u>\$ 13,839,712</u>	<u>\$ 13,622,097</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, 2015 and 2014, the carrying amount of the Group's individually immaterial associates amounted to \$13,839,712 and \$13,622,097, respectively.

	Years ended December 31,	
	2015	2014
Comprehensive income for the year	<u>\$ 9,338,410</u>	<u>\$ 8,615,836</u>

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method were valued based on the investees' financial statements audited by independent accountants for the years ended December 31, 2015 and 2014.

C. The Company purchased 20% of outstanding shares of Central Motor Co., Ltd. with cash consideration of \$2,100,000 on June 25, 2014.

D. At December 24, 2014, the Company participated in capital increase of Kuotu Motor Co., Ltd. by subscribing new shares for \$899,502, which was not proportional to ownership. As of December 31, 2015, the company holds 20.05% of common shares issued by Kuotu Motor Co., Ltd.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Machinery and equipment</u>	<u>Rental assets (Note)</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<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 provision for 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 at disposal should be reclassified to inventories at their carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.



	<u>Land</u>	<u>Buildings</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Machinery and equipment</u>	<u>Rental assets (Note1)</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2014</u>									
Cost	\$ 3,212,222	\$ 3,583,248	\$ 134,885	\$ 1,072,473	\$ 898,454	\$ 37,673,051	\$ 435,200	\$ 376,521	\$ 47,386,054
Revaluation gain	1,529,588	12,080	-	-	-	-	-	-	1,541,668
Accumulated depreciation and impairment	( 26,850)	( 1,325,319)	( 128,983)	( 725,659)	( 580,275)	( 12,331,825)	( 212,063)	-	( 15,330,974)
	<u>\$ 4,714,960</u>	<u>\$ 2,270,009</u>	<u>\$ 5,902</u>	<u>\$ 346,814</u>	<u>\$ 318,179</u>	<u>\$ 25,341,226</u>	<u>\$ 223,137</u>	<u>\$ 376,521</u>	<u>\$ 33,596,748</u>
<u>2014</u>									
Opening net book amount	\$ 4,714,960	\$ 2,270,009	\$ 5,902	\$ 346,814	\$ 318,179	\$ 25,341,226	\$ 223,137	\$ 376,521	\$ 33,596,748
Additions	457,875	384,801	-	142,854	62,805	14,738,801	55,021	354,634	16,196,791
Disposals	- ( 4,211)	- ( 4,211)	- ( 24,174)	( 473)	( 4,378,988)	( 299)	- ( 4,408,145)		
Reclassifications	490,370	195,308	-	12,601	1,353	155,047	3,912 ( 707,815)	150,776	
Depreciation	- ( 133,974)	( 1,596)	( 120,941)	( 50,199)	( 8,214,121)	( 50,879)	- ( 8,571,710)		
Provision for loss on rental assets	-	-	-	-	( 25,221)	-	- ( 25,221)		
Effect from changes in consolidated entities (Note 2)	( 103,186)	( 96,358)	- ( 1,802)	( 178,626)	-	-	- ( 379,972)		
Net exchange differences	-	30,046	12	6,154	2,897	165,259	251	87	204,706
Closing net book amount	<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>At December 31, 2014</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>

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 their carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

Note 2: The original subsidiary, Formosa Flexible Packaging Corp. re-elected the directors and supervisors as resolved at the shareholders' meeting in May 2014. The Company lost half of the voting rights of the Board of Directors and lost control of the subsidiary after the assessment. Thus, Formosa Flexible Packaging Corp. has not been consolidated in the financial statements since the second quarter of 2014.

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

(9) Investment property

	<u>Land</u>	<u>Buildings</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>
2015			
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>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 42,657	\$ 262,946	\$ 305,603
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	( 119,762)	( 119,762)
	<u>\$ 344,480</u>	<u>\$ 143,184</u>	<u>\$ 487,664</u>
2014			
Opening net book amount	\$ 344,480	\$ 143,184	\$ 487,664
Reclassifications	-	4,712	4,712
Depreciation	-	( 5,361)	( 5,361)
Closing net book amount	<u>\$ 344,480</u>	<u>\$ 142,535</u>	<u>\$ 487,015</u>
<u>At December 31, 2014</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>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Rental income from investment property	<u>\$ 86,018</u>	<u>\$ 52,558</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 6,869</u>	<u>\$ 5,361</u>

B. The fair value of the investment property held by the Group was \$1,213,593 and \$903,148 as of December 31, 2015 and 2014, respectively, base on the market value method.

(10) Short-term loans

Type of loans	December 31,	
	2015	2014
Bank loans		
Unsecured loans	\$ 25,949,152	\$ 27,549,050
Mortgage loans	2,930,000	3,898,000
Mid-term syndicated loans for working capital	<u>7,112,783</u>	<u>7,878,567</u>
	<u>\$ 35,991,935</u>	<u>\$ 39,325,617</u>
Annual interest rate	<u>0.73% ~ 5.00%</u>	<u>0.68% ~ 7.8%</u>

As of December 31, 2015 and 2014, 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 \$3,320,000 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. The subsidiary entered into another mid-term syndicated contract for a credit line of \$5,000,000 with 12 financial institutions including E. Sun Commercial Bank, in order to fulfill its working capital. As of December 31, 2015, \$2,500,000 was drawn from the credit facility. The duration is 3 years and 6 months (from August 29, 2012 to February 29, 2016). The loan can be drawn several times but is non-revolving. The payment term is to repay the full amount drawn 3 years from each of the drawdown date.

B. The subsidiary, Hotai Finance Co., Ltd., has entered into a mid-term syndicated contract for a credit line of \$1,000,000 with 2 financial institutions including Credit Agricole CIB, in order to fulfill its working capital. The duration is 3 years and 6 months (December 18, 2012 to June 18, 2016). The loan can be drawn several times but is non-revolving. The payment term is to repay the full amount drawn 3 years from each of the drawdown date.

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

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

(11) Short-term notes and bills payable

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Commercial paper payable	\$ 42,742,000	\$ 30,962,000
Less: unamortized discount	( 28,084)	( 31,661)
	<u>\$ 42,713,916</u>	<u>\$ 30,930,339</u>
Annual interest rate	<u>0.77% ~ 1.79%</u>	<u>0.89% ~ 1.79%</u>

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</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 are with a total issuance amount of \$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.

(13) Long-term loans

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Unsecured loans	\$ 4,617,450	\$ 5,493,345
Mortgage loans	650,000	1,450,000
Commercial papers payable	3,700,000	3,850,000
Less: unamortized discount	( 6,605)	( 6,216)
	8,960,845	10,787,129
Less: current portion (shown as other current liabilities)	( 3,914,023)	( 2,013,467)
	<u>\$ 5,046,822</u>	<u>\$ 8,773,662</u>
loans interest rate range	<u>1.24% ~ 5.93%</u>	<u>1.36% ~ 5.26%</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) Equity ratio: At least 5%
- (c) Interest coverage ratio (excluding depreciation): At least 1.5 times
- (d) Net value: At least \$1 billion

B. As of December 31, 2015, 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	\$ 3,916,493
1 to 2 years	3,471,058
2 to 3 years	<u>1,579,899</u>
	<u>\$ 8,967,450</u>

C. The Group has undrawn borrowing facilities of \$10,365,150 and \$9,659,400 as of December 31, 2015 and 2014, respectively.

(14) Other payables

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Accrued expenses	\$ 3,520,723	\$ 3,487,562
Cash dividends payable	7,790	10,036
Others	<u>529,258</u>	<u>1,630,843</u>
	<u>\$ 4,057,771</u>	<u>\$ 5,128,441</u>

(15) Pensions

A. 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 subsidiaries have defined contribution plan. 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, 2015 and 2014 were \$192,666 and \$163,011, respectively.

(16) Provisions

	<u>Warranty</u>
At January 1, 2015	\$ 2,326,233
Additional provisions	788,944
Used during the year	( 529,212)
Unused amounts reversed	( 209,280)
At December 31, 2015	<u>\$ 2,376,685</u>

Analysis of total provisions:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current	<u>\$ 1,320,472</u>	<u>\$ 1,300,155</u>
Non-current	<u>\$ 1,056,213</u>	<u>\$ 1,026,078</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.

(17) Other non-current liabilities

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Deposits received for car rentals	\$ 11,182,381	\$ 10,528,937
Others	<u>109,435</u>	<u>96,679</u>
	<u>\$ 11,291,816</u>	<u>\$ 10,625,616</u>

(18) Share capital

As of December 31, 2015, 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, 2015 and December 31, 2015 was both 546,179,184 shares.

(19) 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.

(20) 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 the amount of current year's deductions from shareholders' equity shall be set aside as special reserve. 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 amounted to \$5,734,881 (NT\$10.5 per share) and \$6,881,858 (NT\$12.6 per share) for the years ended December 31, 2015 and 2014, respectively.

E. For the information relating to employees' remuneration (bonus) and directors' and supervisors' remuneration, please refer to Note 6(25).

(21) Operating revenue

	Years ended December 31,	
	2015	2014
Sales revenue	\$ 141,811,038	\$ 142,511,315
Service revenue	2,373,186	2,208,480
Interest income	3,088,948	2,739,869
Rental revenue	13,334,456	12,754,472
	<u>\$ 160,607,628</u>	<u>\$ 160,214,136</u>

(22) Other income

	Years ended December 31,	
	2015	2014
Rental income	\$ 106,990	\$ 68,921
Interest income	129,133	150,459
Others	1,618,787	1,503,551
	<u>\$ 1,854,910</u>	<u>\$ 1,722,931</u>

(23) Other gains and losses

	Years ended December 31,	
	2015	2014
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(\$ 68,579)	\$ 27,468
Gain(loss) on disposal of property, plant and equipment	( 15,557)	1,565
Net currency exchange (loss) gain	( 74,594)	52,461
Gain on disposal of investments	9,858	21,858
Impairment loss	-	( 1,671)
Miscellaneous	( 22,075)	( 32,711)
	<u>(\$ 170,947)</u>	<u>\$ 68,970</u>

(24) Expenses by nature

	Years ended December 31,	
	2015	2014
Employee benefit expense	\$ 5,384,053	\$ 5,136,144
Depreciation	8,928,881	8,577,071
Amortization	17,702	19,498
	<u>\$ 14,330,636</u>	<u>\$ 13,732,713</u>

(25) Employee benefit expense

	Years ended December 31,	
	2015	2014
Wages and salaries	\$ 4,594,824	\$ 4,410,944
Labor and health insurance fees	330,631	298,319
Pension costs	192,666	165,837
Other personnel expenses	265,932	261,044
	<u>\$ 5,384,053</u>	<u>\$ 5,136,144</u>



A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors and supervisors that account for 1% and 3%, respectively, of the total distributed amount.

However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the profit of the current year distributable, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channelled to cover losses. Aforementioned employee remuneration can be paid in the form of shares or cash and should be determined in a board meeting that registers two-thirds of directors in attendance and the resolution must receive a majority rate. In addition the resolution must be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on November 10, 2015. According to the amended articles, a percentage of distributable profit of the current year, after covering accumulated losses, 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. The amended articles will be resolved in the shareholders' meeting in 2016.

B. For the years ended December 31, 2015 and 2014, employees' remuneration (bonus) was accrued at \$115,976 and \$82,651, respectively; while directors' and supervisors' remuneration was accrued at \$347,927 and \$247,952, 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 3% of profit of current year distributable for the year ended December 31, 2015. The employees' remuneration and directors' and supervisors' remuneration resolved by the meeting of Board of Directors were \$115,976 and \$347,927 on March 28, 2016 and the employees' remuneration will be distributed in cash.

The expenses recognized for 2014 were accrued based on the net income for 2014 and the percentage 1% and 3% for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. The differences between employees' bonus of \$82,771 and directors' and supervisors' remuneration of \$248,312 as resolved by the meeting of shareholders and the amount recognized in the 2014 financial statements by \$120 and \$360, which had been added to the expenses in 2015.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current tax:		
Current tax expense recognized in the current year	\$ 1,885,518	\$ 1,763,816
Additional 10% surtax on undistributed earnings	349,058	89,190
Prior year income tax under (over) estimate	<u>16,963</u>	<u>(4,986)</u>
Total current tax	<u>2,251,539</u>	<u>1,848,020</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>86,734</u>	<u>87,555</u>
Income tax expense	<u>\$ 2,338,273</u>	<u>\$ 1,935,575</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash flow hedges	<u>\$ 2,364</u>	<u>(\$ 3,083)</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Income tax expense at the statutory rate	\$ 2,857,566	\$ 2,524,570
Effect from adjustments based on regulation	( 885,314)	( 673,199)
Additional 10% surtax on undistributed earnings	349,058	89,190
Prior year income tax under (over) estimate	<u>16,963</u>	<u>(4,986)</u>
Income tax expense	<u>\$ 2,338,273</u>	<u>\$ 1,935,575</u>

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

	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:				
Revaluation gain	( 544,824)	-	-	( 544,824)
Gain on investments accounted for using equity method	( 233,688)	( 14,289)	-	( 247,977)
Difference from 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>

	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$ 54,129	(\$ 2,059)	\$ -	\$ 52,070
Provision for after-sales service	274,651	797	-	275,448
Bad debt expense	114,457	7,082	-	121,539
Book-tax difference on pension costs	25,011	( 25,011)	-	-
Provision of allowance for loss on rental assets	5,195	4,912	-	10,107
Loss carryforward	429,340	( 46,624)	-	382,716
Cash flow hedges	-	-	3,083	3,083
Others	<u>130,820</u>	<u>44,563</u>	<u>-</u>	<u>175,383</u>
	<u>1,033,603</u>	<u>( 16,340)</u>	<u>3,083</u>	<u>1,020,346</u>
-Deferred tax liabilities:				
Revaluation gain	( 580,162)	35,338	-	( 544,824)
Gain on investments accounted for using equity method	( 228,136)	( 5,552)	-	( 233,688)
Difference from finance and tax due to depreciation	( 900,851)	( 81,740)	-	( 982,591)
Others	<u>( 27,163)</u>	<u>( 23,694)</u>	<u>-</u>	<u>( 50,857)</u>
Remeasurement of defined benefit plans	<u>( 4,433)</u>	<u>4,433</u>	<u>-</u>	<u>-</u>
	<u>( 1,740,745)</u>	<u>( 71,215)</u>	<u>-</u>	<u>( 1,811,960)</u>
	<u>(\$ 707,142)</u>	<u>(\$ 87,555)</u>	<u>\$ 3,083</u>	<u>(\$ 791,614)</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, 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

December 31, 2014

<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until</u>
2005	\$ 586,344	\$ 586,344	\$ -	2015
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 2012 have been assessed and approved by the Tax Authority

F. Unappropriated earnings:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Earnings generated in and before 1997	\$ 1,833,874	\$ 1,833,874
Earnings generated in and after 1998	23,029,344	19,971,893
	<u>\$ 24,863,218</u>	<u>\$ 21,805,767</u>

G. Integrated income tax system:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Balance of the imputation tax credit account	<u>\$ 3,398,334</u>	<u>\$ 3,034,216</u>
	<u>2015 (estimated)</u>	<u>2014 (actual)</u>
Tax deduction ratio of earning distribution	<u>14.76%</u>	<u>19.34%</u>

The tax deduction ratio for 2015 was estimated based on the balance of the imputation tax credit account as of December 31, 2015. 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.

(27) Earnings per share

	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 of the parent	\$ 9,776,591	546,179	\$ 17.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,776,591	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	401	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,776,591	546,580	\$ 17.89

	Year ended December 31, 2014		
	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 of the parent	\$ 9,195,939	546,179	\$ 16.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,195,939	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	271	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,195,939	546,450	\$ 16.83

(28) 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, 2015 and 2014, the notes receivable collected in advance amounted to \$8,669,455 and \$9,092,434, respectively. The notes receivable and advance rents are presented at net amount and are not shown in the balance sheet. The amount of \$6,965,126 and \$7,236,840 out of the notes receivable have been pledged as collateral for long-term and short-term bank loans and issuance of commercial papers.

Total future notes receivable for rents are as follows:

	December 31,	
	2015	2014
Up to 1 year	\$ 5,044,767	\$ 5,253,408
1 to 5 years	3,624,688	3,839,026
	<u>\$ 8,669,455</u>	<u>\$ 9,092,434</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 \$488,334 and \$441,918 for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases agreements are as follows:

	December 31,	
	2015	2014
Up to 1 year	\$ 279,217	\$ 242,498
1 to 5 years	556,642	524,873
Over 5 years	494,878	620,864
	<u>\$ 1,330,737</u>	<u>\$ 1,388,235</u>

**7. RELATED PARTY TRANSACTIONS**

**(1) Significant related party transactions**

**A. Operating revenue:**

	Years ended December 31	
	2015	2014
(a) Sales of goods:		
-Associates	\$ 100,185,256	\$ 89,440,424
-Entities controlled by key management	42,968	31,437
Sales of services:		
-Associates	58,485	55,214
-Entities controlled by key management	96,388	104,937
Total	<u>\$ 100,383,097</u>	<u>\$ 89,632,012</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 table 5 in Note 13(1) Significant transactions information.

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(b) Interest income:		
-Associates	\$ <u>53,331</u>	\$ <u>49,545</u>

Interest income is interest arising from sales between transaction dates and collection dates. Starting from December 20, 2015, the annual interest rate was adjusted to 2.525%. The annual interest rate along with interest accruing on a daily basis is 2.775% for the year ended December 31, 2014.

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(c) Subsidy income for price difference from installments:		
-Associates	\$ <u>358,146</u>	\$ <u>327,554</u>

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(d) Rental revenue:		
-Associates	\$ 85,680	\$ 52,755
-Entities controlled by key management	<u>2,622</u>	<u>668</u>
	<u>\$ 88,302</u>	<u>\$ 53,423</u>

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

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(e) Contracted operating revenue (listed as operating revenue)		
-Associates	\$ <u>26,233</u>	\$ <u>27,822</u>

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(f) Warranty revenue (shown as deductions to warranty costs)		
-Associates	\$ 169,239	\$ 109,700
-Entities controlled by key management	<u>333,655</u>	<u>342,978</u>
	<u>\$ 502,894</u>	<u>\$ 452,678</u>

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(g) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates	\$ 216,468	\$ 270,840
-Entities controlled by key management	<u>65,032</u>	<u>51,761</u>
	<u>\$ 281,500</u>	<u>\$ 322,601</u>

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(h) Distribution income (shown as deductions to freight)		
-Associates	<u>\$ 35,228</u>	<u>\$ 37,334</u>

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(i) Miscellaneous income		
-Associates	\$ 323,638	\$ 300,572
-Entities controlled by key management	<u>70,501</u>	<u>57,119</u>
	<u>\$ 394,139</u>	<u>\$ 357,691</u>

#### B. Expenditure

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(a) Purchase of goods:		
-Associates	\$ 85,449,207	\$ 84,643,141
-Entities controlled by key management	<u>36,031,509</u>	<u>34,568,954</u>
	<u>\$ 121,480,716</u>	<u>\$ 119,212,095</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”) and Toyota Motor Asia Pacific Pte Ltd. (“TMAP”). Payment terms are provided in table 5 in 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 provided in table 5 in Note 13(1) Significant transactions information.



	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(b) Interest expense:		
-Associates	\$ 26,554	\$ 26,007

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from December 20, 2015, the annual interest rate was adjusted to 2.125%. The annual interest rate along with interest accruing on a daily basis is 2.375% for the year ended December 31, 2014.

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(c) Rental expense:		
-Associates	\$ 18,980	\$ 20,330

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>2015</u>	<u>2014</u>
(d) Warranty cost:		
-Associates	\$ 437,426	\$ 426,800
-Entities controlled by key management	291	-
	<u>\$ 437,717</u>	<u>\$ 426,800</u>

	<u>Years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
(e) Advertisement expense:		
-Associates	\$ 30,087	\$ 4,061
-Entities controlled by key management	1,899	227
	<u>\$ 31,986</u>	<u>\$ 4,288</u>

#### C. Receivables from (payables to) related parties

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(a) Receivables from related parties:		
-Associates	\$ 2,001,869	\$ 590,812
-Entities controlled by key management	5,858	3,869
	<u>\$ 2,007,727</u>	<u>\$ 594,681</u>

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(b) Other receivables from related parties:		
-Associates	\$ 426,889	\$ 307,842
-Entities controlled by key management	10,329	9,097
	<u>\$ 437,218</u>	<u>\$ 316,939</u>

	December 31,	
	2015	2014
(c) Accounts payable		
-Associates	\$ 1,078,113	\$ 827,438
-Entities controlled by key management	<u>2,907,972</u>	<u>1,669,792</u>
	<u>\$ 3,986,085</u>	<u>\$ 2,497,230</u>

	December 31,	
	2015	2014
(d) Other payables		
-Associates	\$ 272,586	\$ 210,807
-Entities controlled by key management	<u>2,185</u>	<u>26</u>
	<u>\$ 274,771</u>	<u>\$ 210,833</u>

#### D. Property transactions

Acquisition of rental assets and cars for self-use

	Years ended December 31,	
	2015	2014
Associates	<u>\$ 5,351,340</u>	<u>\$ 5,957,368</u>

#### (2) Key management remuneration

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	<u>\$ 428,847</u>	<u>\$ 330,709</u>

### 8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Purpose</u>
Notes and accounts receivable	\$ 9,105,883	\$ 8,255,873	Short-term loans and commercial papers payable
Restricted assets (Note)			
-Demand and time deposits	99,071	124,427	Short-term loans and performance guarantee
Property, plant and equipment			
-Land	766,717	766,717	Short-term loans
-Buildings	<u>312,219</u>	<u>249,387</u>	Short-term loans
	<u>\$ 10,283,890</u>	<u>\$ 9,396,404</u>	
Transactions not listed in the balance sheet			
-Notes receivable for rent	<u>\$ 6,965,126</u>	<u>\$ 7,236,840</u>	Long-term and short-term loans and commercial papers payable

Note: Shown as 'other current assets' and 'other non-current assets'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Details of operating lease agreements are provided in Note 6(28).

(2) Significant contracts signed by the Group as of December 31, 2015 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
<u>The Company</u>			
Distributor agreement (Note)	Toyota Motor Corporation	January 1, 2013 to December 31, 2015 (Toyota) March 1, 2013 to December 31, 2015 (Lexus)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
	Hino Motors, Ltd.	April 1, 2011 to March 31, 2016 (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. Chang Yuan Motor Co., Ltd.	Starting from June 1, 2002 Starting from June 1, 2003	
		Except for termination signed by both parties, contracts remain effective.	
<u>Chang Yuan Motor Co., Ltd.</u>			
Trading contracts	Kuozui Motors, Ltd.	Starting from June 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.

Note : On December 18, 2015, the Company renewed its distributor agreement with Toyota Motor Corporation for sales of all models and parts of Toyota and Lexus, starting from January 1, 2016 to December 31, 2018.

10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern 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) 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, 2015			December 31, 2014				
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	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	2,947	32.8250	\$ 96,735	USD	8,223	31.6500	\$ 260,258
JPY:NTD	JPY	110,176	0.2727	30,045	JPY	119,732	0.2646	31,681
RMB:NTD	CNY	49	5.0550	248	CNY	49	5.1015	250
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	273,303	32.8250	\$ 8,971,171	USD	214,861	31.6500	\$ 6,800,351
JPY:NTD	JPY	3,150,709	0.2727	859,198	JPY	2,048,102	0.2646	541,928
USD:RMB (Note)	USD	15,000	6.4936	492,375	USD	65,177	6.2040	2,062,852

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) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014, amounted to (\$74,594) and \$52,461, respectively.

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

	<u>Year ended December 31, 2015</u>			<u>Year ended December 31, 2014</u>		
	<u>Sensitivity analysis</u>			<u>Sensitivity analysis</u>		
	<u>Extent of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	<u>Extent of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 967	\$ -	1%	\$ 2,603	\$ -
JPY:NTD	1%	300	-	1%	317	-
RMB:NTD	1%	2	-	1%	2	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	89,712	-	1%	68,004	-
JPY:NTD	1%	8,592	-	1%	5,419	-
USD:RMB (Note)	1%	4,924	-	1%	20,628	-

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

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and available-for-sale financial assets are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.
- ii. The borrowings of the subsidiaries, Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd. and Hoyun Leasing International Limited, are partially held at fixed rates so its 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 be \$715,003 higher/lower. Therefore, Hotai Finance Co., Ltd. and Hotai Leasing Corporation engage in interest rate swap transactions, assess market risk using PVBP (Present Value of Basis Point) method, and set stop-loss point based on changes in contract values. Losses arising from transactions are within the expectation, thus, there is no significant market risk.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in

accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal ratings are accepted.

- ii. For the years ended December 31, 2015 and 2014, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The subsidiary, Hotai Finance Co., Ltd. (Hotai), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, Hotai is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, Hotai shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of December 31, 2015 and 2014, Hotai has financial instruments with off-balance-sheet credit risk amounted to \$13,467,878 and \$13,952,626, respectively, and Hotai has collected notes for installment payment on behalf of the banks. Hotai 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(13)) 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, 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

December 31, 2014

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 31,730,234	\$ 6,104,716	\$ 1,490,667
Short-term notes and bills payable	30,930,339	-	-
Notes payable	40,850	-	-
Accounts payable	3,875,915	-	-
Other payables	5,128,441	-	-
Bonds payable	-	-	1,000,000
Long-term loans (including current portion)	2,015,210	4,242,628	4,535,507

Derivative financial liabilities:

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	\$ -
Forward exchange contracts	-	16,161	-

December 31, 2014

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Interest rates waps	\$ -	\$ 1,818	\$ -
Forward exchange contracts	-	246,895	-

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).



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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the 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 at December 31, 2015 and 2014 is as follows:

<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>

<u>December 31, 2014</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	\$ 3,002,445	\$ -	\$ -	\$ 3,002,445
Forward exchange contracts	-	126,797	-	126,797
Derivative financial assets for hedging	-	215,016	-	215,016
Available-for-sale financial assets				
Equity securities	<u>553,776</u>	<u>-</u>	<u>333,582</u>	<u>887,358</u>
	<u>\$ 3,556,221</u>	<u>\$ 341,813</u>	<u>\$ 333,582</u>	<u>\$ 4,231,616</u>

Liabilities

Recurring fair value measurements

Derivative financial liabilities for hedging

\$ -    \$ 248,713    \$ -    \$ 248,713

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, 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, 2015 and 2014, 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, 2015 and 2014:

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 333,582	\$ 329,626
Acquired financial assets included in level 3	-	552
Transfers out from level 3	-	( 15,621 )
Gains and losses recognized in profit or loss	-	( 1,671 )
Gains and losses recognized in other comprehensive income	( 33,360 )	20,696
At December 31	<u>\$ 300,222</u>	<u>\$ 333,582</u>

G. The transfer of financial instruments out from level 3 to investments accounted for using equity method during 2014 is caused by participation in Mainland subsidiary's capital increase not proportionate to the original shareholding ratio in January 2014. The participation in capital increase is for acquiring control over the subsidiary. As of December 31, 2014, the Company's held 35% of the subsidiary's total issued shares. Therefore, the Group has transferred the fair value amount of the investment from level 3 to investments accounted for using equity method in the month of event.

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, 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, 2015, December, 31, 2014 and January 1, 2014.

### 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, 2015:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Contract Period	Book Value	Fair Value
Hotai Motor Co., Ltd.	Forward exchange contracts	USD 176,790	2016.1.14~2016.3.14	\$ 54,417	\$ 54,417
Hotai Finance Co., Ltd.	Currency swaps	USD 186,400	2016.12.12~2018.9.18	295,695	295,695
Hotai Finance Co., Ltd.	Currency swaps	JPY 3,100,000	2018.9.18	( 7,084)	( 7,084)
Hotai Finance Co., Ltd.	Interest rate swaps	NTD 500,000	2016.2.22	( 232)	( 232)
Hotai Leasing Co., Ltd.	Interest rate swaps	NTD 300,000	2016.11.14~2016.11.28	( 531)	( 531)

- (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 segments is referred to Hotai Motor Co., Ltd. As of December 31, 2015, the Company's self-owned capital ratio was 77%.
- 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:

Items	Year ended December 31, 2015					Total
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	
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 amortization	<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>\$ 46,522,043</u>	<u>(\$ 34,881,637)</u>	<u>\$ 165,192,528</u>
Segment liabilities	<u>\$ 11,503,499</u>	<u>\$ 69,152,147</u>	<u>\$ 23,141,795</u>	<u>\$ 16,760,911</u>	<u>(\$ 1,142,786)</u>	<u>\$ 119,415,566</u>

  

Items	Year ended December 31, 2014					Total
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	
Revenue from external customers	\$ 99,200,354	\$ 5,076,543	\$ 13,445,611	\$ 42,491,628	\$ -	\$ 160,214,136
Inter-segment revenue (Note)	4,672,865	274,018	1,015,334	3,062,047	( 9,024,264)	-
Total segment revenue	<u>\$ 103,873,219</u>	<u>\$ 5,350,561</u>	<u>\$ 14,460,945</u>	<u>\$ 45,553,675</u>	<u>(\$ 9,024,264)</u>	<u>\$ 160,214,136</u>
Segment income (loss) (Note)	<u>\$ 10,210,051</u>	<u>\$ 1,411,694</u>	<u>\$ 569,718</u>	<u>\$ 4,252,401</u>	<u>(\$ 4,215,724)</u>	<u>\$ 12,228,140</u>
Depreciation and amortization	<u>\$ 102,567</u>	<u>\$ 339,462</u>	<u>\$ 6,412,392</u>	<u>\$ 1,742,148</u>	<u>\$ -</u>	<u>\$ 8,596,569</u>
Income tax expense	<u>\$ 1,014,112</u>	<u>\$ 276,569</u>	<u>\$ 160,742</u>	<u>\$ 484,152</u>	<u>\$ -</u>	<u>\$ 1,935,575</u>
Gain on investments accounted for using equity method	<u>\$ 4,119,134</u>	<u>\$ 79,410</u>	<u>\$ 62,442</u>	<u>\$ 903,174</u>	<u>(\$ 3,128,688)</u>	<u>\$ 2,035,472</u>
Segment assets	<u>\$ 43,891,555</u>	<u>\$ 69,113,679</u>	<u>\$ 25,265,890</u>	<u>\$ 42,826,738</u>	<u>(\$ 31,927,911)</u>	<u>\$ 149,169,951</u>
Segment liabilities	<u>\$ 8,498,858</u>	<u>\$ 62,253,462</u>	<u>\$ 22,804,211</u>	<u>\$ 15,664,618</u>	<u>(\$ 1,135,006)</u>	<u>\$ 108,086,143</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 Company's chief operating decision-maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.
- B. The total assets reported to the chief operating decision-maker are measured in a manner consistent with that in the Company's financial statements.

(5)Information on product and service

Revenue from external customers is primarily resulted from distributor of Toyota and Hino products segment and leasing segment.

Details of revenue balance are as follows:

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Sales revenue	\$ 141,811,038	\$ 142,511,315
Rental revenue	13,334,456	12,754,472
Others	5,462,134	4,948,349
	<u>\$ 160,607,628</u>	<u>\$ 160,214,136</u>

(6)Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	<u>Year ended December 31, 2015</u>		<u>Year ended December 31, 2014</u>	
	<u>Revenue (Note)</u>	<u>Non-current assets</u>	<u>Revenue (Note)</u>	<u>Non-current assets</u>
Taiwan	\$ 145,609,147	\$ 46,099,455	\$ 146,004,935	\$ 45,451,068
Mainland China	14,998,481	5,092,608	14,209,201	6,797,985
	<u>\$ 160,607,628</u>	<u>\$ 51,192,063</u>	<u>\$ 160,214,136</u>	<u>\$ 52,249,053</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, 2015 and 2014 is as follows:

	<u>Year ended December 31, 2015</u>		<u>Year ended December 31, 2014</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$21,294,830	Distributor of Toyota and Hino products	\$ 21,328,877	Distributor of Toyota and Hino products
B	19,655,476	"	20,398,857	"
C	15,822,874	"	17,437,687	"

## Hotai Motor Co., Ltd. and Subsidiaries

## Loans to others

Year ended December 31, 2015

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2015	December 31, 2015							Item	Value			
1	Shanghai Hoyu Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	Other receivables	Y	\$ 256,550	\$ 242,639	\$ 8,929	2.15%	Short-term financing	-	Operations	\$ -	None	\$ -	\$ 306,157	\$ 306,157	
2	Shanghai Heling Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	384,825	374,068	71,503	2.15%	"	-	"	-	"	-	319,275	319,275	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	123,144	116,264	326	2.15%	"	-	"	-	"	-	139,231	139,231	
4	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	108,696	106,155	5,162	2.15%	"	-	"	-	"	-	118,142	118,142	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	574,536	561,102	73,246	2.15%	"	-	"	-	"	-	693,941	693,941	
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	61,572	40,440	-	2.15%	"	-	"	-	"	-	139,070	139,070	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	359,170	343,738	17,908	2.15%	"	-	"	-	"	-	387,743	387,743	
8	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	256,550	242,639	18,184	2.15%	"	-	"	-	"	-	291,645	291,645	
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	76,965	45,495	-	2.15%	"	-	"	-	"	-	122,683	122,683	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	15,393	10,110	-	2.15%	"	-	"	-	"	-	8,780	8,780	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	102,620	45,495	-	2.15%	"	-	"	-	"	-	221,490	221,490	
12	Hoton Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	"	82,816	80,880	-	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	"	155,280	151,649	-	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	"	181,160	176,924	30,626	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	"	129,400	126,374	71,026	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	"	155,280	151,649	-	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	155,280	151,649	-	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	"	155,280	151,649	-	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	"	155,280	151,649	-	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	"	139,752	136,484	47,517	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	
12	Hoton Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	"	170,808	166,814	164,092	4.35%	"	-	"	-	"	-	2,720,829	5,441,658	



Hotai Motor Co., Ltd. and Subsidiaries  
Provision of endorsements and guarantees to others  
Year ended December 31, 2015

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed  Company name	Relationship with the endorser/guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2015	Outstanding endorsement/ guarantee amount at December 31, 2015	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Hotai Motor Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	An indirect wholly-owned subsidiary	\$ 11,809,242	\$ 394,440	\$ 393,900	\$ -	\$ -	1.00%	\$ 19,682,070	Y	N	Y	Note 1
0	Hotai Motor Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	11,809,242	456,893	456,268	-	-	1.16%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	11,809,242	262,960	262,600	-	-	0.67%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	11,809,242	279,395	279,013	-	-	0.71%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	11,809,242	197,220	196,950	-	-	0.50%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	11,809,242	476,615	475,963	-	-	1.21%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	11,809,242	180,785	180,538	-	-	0.46%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	11,809,242	279,395	279,013	-	-	0.71%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	11,809,242	49,305	49,238	-	-	0.13%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	11,809,242	361,570	361,075	39,464	-	0.92%	19,682,070	"	"	"	"
0	Hotai Motor Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	11,809,242	328,700	328,250	-	-	0.83%	19,682,070	"	"	"	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Subsidiary	7,732,141	6,935,295	1,887,872	1,887,872	-	24.42%	7,732,141	"	"	"	Note 2

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

Note 2 : The limit of endorsement is no more than 100% of the Company's total equity; the limit of endorsement for any single entity is no more than 100% of the Company's total equity.

Net value is based on the amount included in the latest filing of financial statements and report of independent accountants.

## Hotai Motor Co., Ltd. and Subsidiaries

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

Year ended December 31, 2015

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2015				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Motor Co., Ltd.	Stock – Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	\$ 438,115	0.17%	\$ 438,115	
	– Shihlin Electric & Engineering Corporation Etc.	"	"	-	90,863	0.00%~0.42%	90,863	
	Taian Insurance Co., Ltd. Etc.	-	"	-	260,635	0.04%~3.10%	260,635	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	47,947,204	590,022	-	593,438	
	– Mega Diamond Money Market Fund	"	"	61,610,189	900,000	-	900,833	
	– Jih Sun Money Market Fund	"	"	9,222,147	100,168	-	100,355	
	– CTBC Hwa-win Money Market Fund	"	"	2,838,732	500,000	-	500,000	
	– FSITC Money Market Fund	"	"	18,617,582	300,000	-	300,000	
	– Nomura Taiwan Money Market Fund	"	"	69,048,186	700,000	-	704,153	
	– Franklin Templeton Sinoam Money Market Fund	"	"		8,589	-	-	
			Valuation adjustment of financial assets					
			Total		\$ 3,098,779		\$ 3,098,779	
Ho-Jan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 2,556	0.50%	\$ 2,556	
Toyota Material Handling Taiwan Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	33,222,570	338,000	-	338,804	
	– Franklin Templeton Sinoam Money Market Fund				804	-	-	
			Valuation adjustment of financial assets					
			Total		\$ 338,804		\$ 338,804	
Chang Yuan Motor Co., Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	5,087,893	\$ 60,000	-	\$ 60,407	
	– Yuanta De- Bao Money Market Fund				407	-	-	
			Valuation adjustment of financial assets					
			Total		\$ 60,407		\$ 60,407	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 2,963	0.06%~0.50%	\$ 2,963	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	5,198,688	53,000		\$ 53,016	
	- Franklin Templeton Sinoam Money Market Fund			6,207,402	100,000		\$ 100,025	
	- Nomura Taiwan Money Market Fund	"	"		41		-	
			Valuation adjustment of financial assets					
			Total		\$ 153,041		\$ 153,041	
Ho Tai Development Co., Ltd.	Stock - First Commercial Bank Etc.	-	Available-for-sale financial assets - non-current	-	\$ 810	-	\$ 810	
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,516	0.06%~0.61%	3,516	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	6,220,646	100,000	-	100,000	
	-Hua Nan Kirin Money Market Fund				-	-	-	
			Valuation adjustment of financial assets					
			Total		\$ 100,000		\$ 100,000	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Available-for-sale financial assets - non-current	-	\$ 2,556	0.50%	\$ 2,556	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 2,556	0.50%	\$ 2,556	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation Etc.	None	"	-	\$ 24,988	10.50%	\$ 24,988	

## Hotai Motor Co., Ltd. and Subsidiaries

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, 2015

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2015		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2015	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Hotai Motor Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	44,769,680	\$ 550,000	38,177,524	\$ 470,000	35,000,000	\$ 430,769	\$ 429,978	\$ 791	47,947,204	\$ 590,022
Hotai Motor Co., Ltd.	Jih Sun Money Market Fund	"	"	"	51,668,312	750,038	95,265,473	1,390,000	85,323,596	1,242,367	1,240,038	2,329	61,610,189	900,000
Hotai Motor Co., Ltd.	Capital Money Market Fund	"	"	"	18,976,802	300,367	18,918,970	300,000	37,895,772	601,677	600,367	1,310	-	-
Hotai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	"	"	"	34,187,718	370,000	69,133,371	750,000	94,098,942	1,020,326	1,019,832	494	9,222,147	100,168
Hotai Motor Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	"	"	"	39,520,615	400,000	29,527,571	300,000	-	-	-	-	69,048,186	700,000
Hotai Motor Co., Ltd.	Taishin 1699 Money Market Fund	"	"	"	-	-	27,082,127	360,000	27,082,127	360,354	360,000	354	-	-
Hotai Motor Co., Ltd.	FSITC Money Market Fund	"	"	"	-	-	2,838,732	500,000	-	-	-	-	2,838,732	500,000
Hotai Motor Co., Ltd.	Nomura Taiwan Money Market Fund	"	"	"	-	-	49,745,184	800,000	31,127,602	500,600	500,000	600	18,617,582	300,000

Hotai Motor Co., Ltd. and Subsidiaries  
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, 2015

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hotai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 21,294,689	21%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 288,289	19%	
Hotai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	19,654,945	19%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	257,557	17%	
Hotai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	15,810,387	16%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	227,635	15%	
Hotai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	14,108,515	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	152,020	10%	
Hotai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	12,564,343	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	125,212	8%	
Hotai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	11,077,830	11%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	212,238	14%	
Hotai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	1,997,317	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	22,645	1%	
Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	1,919,528	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	19,389	1%	
Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	1,247,993	1%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	"	89,340	6%	
Hotai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	958,299	1%	Collection at sight	Normal	"	35,376	2%	
Hotai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	46,670,477	50%	7 days end of week, interest bearing from transaction date	Not applicable	"	( 430,262)	8%	
Hotai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	"	27,710,200	30%	Closes its accounts 15 days after the end of each month	"	"	( 2,677,173)	49%	
Hotai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	"	"	1,713,307	2%	Closes its accounts 15 days after the end of each month	"	"	( 188,200)	3%	
Hotai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,103,830	1%	Closes its accounts 16 days after the end of each month	"	"	( 115,873)	2%	
Hotai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	697,998	1%	Closes its accounts 16 days after the end of each month	"	"	( 73,681)	1%	
Hotai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	249,908	-	Closes its accounts 15 days after the end of each month	"	"	( 14,128)	-	
Chang Yuan Motor Co., Ltd.	Hotai Motor Co., Ltd.	Parent company	"	1,247,993	13%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	( 89,340)	39%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	7,050,489	72%	7 days after invoice date	"	"	( 42,004)	19%	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Sales	621,228	3%	14 days after invoice date	Normal	"	47,145	4%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	481,854	2%	Collection at sight	"	"	-	-	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	165,318	1%	7 days after invoice date	"	"	3,180	-	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Coporation	Entity controlled by the Company's key management	Purchases	323,392	70%	Closes its accounts 15 days after the end of each month	Not applicable	"	( 20,659)	55%	
Carmax Co., Ltd.	Hotai Motor Co., Ltd.	Parent company	Sales	1,103,830	20%	Closes its accounts 16 days after the end of each month	Normal	"	115,873	11%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	274,940	5%	Closes its accounts 16 days after the end of each month	"	"	36,167	4%	
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	"	"	447,285	8%	Closes its accounts 25 days after the end of each month	"	"	63,641	6%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	358,137	7%	Closes its accounts 40 days after the end of each month	"	"	76,243	7%	
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd.	"	"	338,617	6%	Closes its accounts 40 days after the end of each month	"	"	82,928	8%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	479,543	9%	Closes its accounts 35 days after the end of each month	"	"	111,333	11%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	"	647,448	12%	Closes its accounts 35 days after the end of each month	"	"	159,632	15%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	"	"	182,102	3%	Closes its accounts 40 days after the end of each month	"	"	38,820	4%	
Carmax Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Purchases	207,835	5%	Closes its accounts 21 days after the end of each month	"	"	( 21,870)	4%	
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	"	"	6,691,135	16%	Payment at sight	"	"	( 71,926)	16%	
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	5,894,636	14%	Payment at sight	"	"	( 72,374)	13%	
Hotai Finance Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	5,722,991	13%	Payment at sight	"	"	( 2,368)	-	
Hotai Finance Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	4,057,087	9%	Payment at sight	"	"	( 141,323)	25%	
Hotai Finance Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	3,890,304	9%	Payment at sight	"	"	( 47,785)	8%	
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	3,730,926	9%	Payment at sight	"	"	( 123,025)	22%	
Hotai Finance Co., Ltd.	Eastern Motor Co., Ltd.	Associates	Purchases	717,703	2%	Payment at sight	"	"	( 900)	-	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hotai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	Purchases	\$ 622,876	1%	Payment at sight	Normal	Normal	(\$ 2,530)	-	
Hotai Leasing Co., Ltd.	Hotai Motor Co., Ltd.	Parent company	"	958,299	9%	Payment at sight	"	"	( 35,376)	-	
Hotai Leasing Co., Ltd.	Kuoto Motor Co., Ltd.	Associates	"	1,110,250	10%	Payment at sight	"	"	-	-	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,302,573	12%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	481,854	4%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	875,392	8%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	691,111	6%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	"	"	755,455	7%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	512,573	5%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Horung Motor Co., Ltd.	"	Sales	120,215	3%	7 days after invoice date	"	"	177	-	
Hotai Leasing Co., Ltd.	Hojung Motor Co., Ltd.	"	"	207,538	5%	7 days after invoice date	"	"	785	-	
Horung Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	Purchases	120,215	16%	7 days after invoice date	"	"	( 177)	7%	
Hojung Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	207,538	18%	7 days after invoice date	"	"	( 785)	40%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	"	161,826	2%	Closes its accounts 60 days after the end of each month	"	"	( 16,827)	49%	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	161,826	45%	Closes its accounts 60 days after the end of each month	"	"	16,827	51%	
Eastern Motor Co., Ltd.	Hotai Motor Co., Ltd.	Parent company	Purchases	1,919,528	91%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	( 19,389)	93%	
Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	Associates	Sales	717,703	32%	Collection at sight	"	"	900	4%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	2,078,372	92%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,295,628	79%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,033,326	92%	Payment in advance	"	"	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	954,686	85%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	549,034	85%	Payment in advance	"	"	-	-	

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

Hotai Motor Co., Ltd. and Subsidiaries  
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
 December 31, 2015

Table 6

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
Hotai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 288,289	108.92	\$ -	None	\$ 288,289	\$ -
			Other receivables	77,339					
Hotai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Accounts receivable	257,557	106.27	-	"	257,557	-
			Other receivables	68,917					
Hotai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable	227,635	107.77	-	"	227,635	-
			Other receivables	30,184					
Hotai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	212,238	75.54	-	"	212,238	-
			Other receivables	67,981					
Hotai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	152,020	118.03	-	"	152,020	-
			Other receivables	48,914					
Hotai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	125,212	139.27	-	"	125,212	-
			Other receivables	54,376					
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	Accounts receivable	159,632	36.03	-	"	159,632	-
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	Accounts receivable	111,333	46.93	-	"	111,333	-

Hotai Motor Co., Ltd. and Subsidiaries  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2015

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

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	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 1,247,993	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	997,618	Closes its accounts 16 days after the end of following two months	1%
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Warranty cost	128,624	Closes its accounts 16 days after the end of each month	-
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	89,340	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rental revenue	64,131		-
0	Hotai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	958,299	Collection sight	1%
0	Hotai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales allowances	285,990	Closes its accounts 16 days after the end of each month	-
0	Hotai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	1	Other sales of goods	67,720		-
0	Hotai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	82,143		-
0	Hotai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	115,873		-
0	Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,919,528	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	"	488,564	Collection sight	-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	"	72,997		-
2	Hotai Finance Co., Ltd.	Hotai Leasing Co., Ltd.	3	Miscellaneous income	83,903		-
2	Hotai Finance Co., Ltd.	Hotai Leasing Co., Ltd.	3	Other receivables	88,566		-
3	Hotai Leasing Co., Ltd.	Horung Motors Co., Ltd.	3	Sales revenue	121,821	7 days after invoice date	-
3	Hotai Leasing Co., Ltd.	Hojung Motors Co., Ltd.	3	"	213,696	7 days after invoice date	-
3	Hotai Leasing Co., Ltd.	Hohung Motors Co., Ltd.	3	"	99,921	7 days after invoice date	-
4	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	"	66,233	Collection sight	-
4	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	710,765	Collection sight	-
6	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	"	161,827	Closes its accounts 60 days after the end of each month	-
7	Carmax Co., Ltd.	Hotai Motor Co., Ltd.	2	"	1,057,487	Closes its accounts 16 days after the end of each month	1%
7	Carmax Co., Ltd.	Hotai Motor Co., Ltd.	2	Accounts receivable	108,751		-
8	Hoton Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	73,246		-
8	Hoton Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	"	71,503		-
8	Hoton Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	"	164,092		-
8	Hoton Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	"	71,026		-

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.

Hotai Motor Co., Ltd. and Subsidiaries  
Names, locations and other information of investee companies (not including investees in Mainland China)  
Year ended December 31, 2015

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognized by the Company for the year ended December 31, 2015	Footnote
				Balance at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value			
Hotai Motor Co., Ltd.	Ho-Jan Investment Co., Ltd.	Taiwan	Reinvestment company	\$ 650,182	\$ 650,182	-	100.00	\$ 7,182,649	\$ 1,020,718	\$ 1,021,464	Subsidiary
Hotai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	4,822,743	6,913,332	2,072,756	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Reinvestment in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,992,529	58,897,360	100.00	3,309,922	73,197	71,882	Subsidiary
Hotai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	238,112,973	100.00	3,271,595	282,478	282,478	"
Hotai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,969	2,098,969	15,000,000	20.00	2,338,547	395,194	75,964	Investee company accounted for using the equity method
Hotai 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	50.23	1,791,597	526,620	264,438	Subsidiary
Hotai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,333,514	1,333,514	15,153,573	20.00	1,342,355	326,201	60,566	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,287,020	282,044	50,206	"
Hotai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	12,240,000	51.00	944,275	657,399	335,607	Subsidiary
Hotai 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	848,882	199,125	63,410	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.05	843,038	418,374	68,500	"
Hotai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	805,807	372,527	85,524	"
Hotai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	"	50,000	50,000	44,490,027	100.00	695,994	141,252	141,252	Subsidiary
Hotai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	"	80,000	80,000	24,934,976	100.00	298,056	39,729	39,729	"
Hotai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	276,321	56,209	10,559	Investee company accounted for using the equity method
Hotai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	5,557	5,557	1,007,609	45.54	259,852	10,524	4,488	"
Hotai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	134,188	64,471	13,640	"
Hotai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes.	3,000	3,000	3,000	25.00	118,381	71,831	17,958	"
Hotai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	-	960,961	20.00	10,026	(3,684)	(737)	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Reinvestment in Mainland China, trading and repairing of vehicles and their parts	114,888	114,888	3,500,000	70.00	97,347	(10,227)	-	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	39,390	39,390	1,200,000	40.00	1,626	(27,901)	-	Subsidiary's investee company accounted for using the equity method



Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognized by the Company for the year ended December 31, 2015	Footnote
				Balance at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership				
							(%)	Book value			
Ho-Jan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	\$ 779,742	\$ 779,742	207,339,002	66.03	\$ 5,126,790	\$ 1,199,899	\$ -	Subsidiary
Ho-Jan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of light passenger vehicles	181,907	181,907	63,995,495	66.04	1,775,965	331,669	-	"
Ho-Jan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,475,571	18.29	253,732	61,748	-	Subsidiary's investee company accounted for using the equity method
Ho-Jan Investment Co., Ltd.	Hojung Motors Co., Ltd.	"	Trading of used vehicles	12,000	12,000	1,770,270	20.00	21,773	16,399	-	Subsidiary
Ho-Jan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	0.00	90	199,125	-	Investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	497,299	497,299	15,150,000	50.50	695,281 (	18,993)	-	Subsidiary
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Taiwan	Trading of used vehicles	20,400	20,400	3,841,448	51.00	41,369 (	742)	-	"
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	"	"	30,600	30,600	3,519,000	51.00	37,097	2,520	-	"
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	"	"	18,600	18,600	2,744,616	31.00	32,748	16,399	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	487,451	487,451	14,850,000	49.50	680,673 (	18,993)	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	"	98,475	98,475	3,000,000	100.00	135,914	612	-	"
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	165,500	77,039	-	"
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	"	Advertisement making	2,400	2,400	240,000	30.00	521 (	4,131)	-	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	7,058	9,751	-	"
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	-	2,968,016	61.77	30,537 (	3,684)	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	12,352	10,472	-	"
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	98,475	98,475	3,000,000	100.00	135,914	612	-	"

Hotai Motor Co., Ltd. and Subsidiaries  
Information on investments in Mainland China-Basic information  
Year ended December 31, 2015

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

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, 2015	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net income of investee for the year ended December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2015	Book value of investment in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hoton Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 2,043,192	Note 1.1	\$ 375,846	\$ -	\$ -	\$ 375,846	\$ 24,390	100.00	\$ 24,390	\$ 2,720,829	\$ -	Note 2.2
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	110,620	Note 1.1 Note 1.5	110,620	-	-	110,620	17,155	100.00	17,155	306,157	-	"
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	"	151,650	Note 1.1	12,063	-	-	12,063	-	10.50	-	12,063	-	"
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	"	98,475	Note 1.2	32,825	-	-	32,825	( 27,901)	40.00	( 11,160)	1,626	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	196,950	Note 1.1	196,950	-	-	196,950	67,512	100.00	67,512	693,941	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	98,475	"	98,475	-	-	98,475	11,516	100.00	11,516	139,231	-	"
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	164,125	Note 1.2	114,888	-	-	114,888	( 10,227)	70.00	( 7,159)	97,349	-	"
Shanghai Heling Motor Service Co., Ltd.	"	114,888	Note 1.3	86,166	-	-	86,166	101,753	100.00	101,753	320,007	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	151,650	Note 1.1	12,925	-	-	12,925	-	10.50	-	12,925	-	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	144,430	Note 1.7	144,430	-	-	144,430	( 1,122)	100.00	( 1,144)	118,142	-	"
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	305,273	Note 1.1	305,273	-	-	305,273	( 29,506)	100.00	( 29,506)	122,683	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	190,385	"	190,385	-	-	190,385	26,357	100.00	26,357	387,743	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	213,363	"	213,363	-	-	213,363	35,675	100.00	35,675	291,645	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	984,750	Note 1.6	984,750	-	-	984,750	( 18,993)	66.03	( 12,541)	908,542	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	50,550	Note 1.4	-	-	-	-	-	66.03	-	33,378	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	98,475	Note 1.6	98,475	-	-	98,475	612	50.23	307	68,263	-	Note 2.2
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	393,900	Note 1.4	-	-	-	( 23,843)	100.00	( 23,843)	221,490	-	"	
Tianjin Hozhan Motor Service Co., Ltd.	"	169,848	"	-	-	-	( 21,601)	100.00	( 21,601)	8,780	-	"	
Linyi Hoyu Toyota Motor Sales and Service Co., Ltd.	"	393,900	"	-	-	-	( 22,620)	35.00	( 7,917)	81,004	-	"	
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	43,657	Note 1.7	43,657	-	-	43,657	38,461	51.00	19,615	49,746	-	"
Guangzhou Gac Changho Autotech Corporation	"	104,821	"	104,821	-	-	104,821	35,512	22.95	8,150	34,916	-	"
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	328,250	Note 1.4	-	-	-	( 69,961)	35.00	( 24,330)	50,646	-	"	
Taizhou Kaudu Lexus Motor Sale Service Co.,Ltd.	"	492,375	"	-	-	-	( 8,496)	35.00	( 2,974)	134,047	-	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, 2015	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net income of investee for the year ended December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2015	Book value of investment in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	\$ 393,900	Note 1.4	\$ -	\$ -	\$ -	\$ -	(\$ 13,707)	35.00	(\$ 8,372)	\$ 81,987	\$ -	Note 2.2
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	"	361,075	"	-	-	-	( 61,065)		35.00	( 21,373)	79,067	-	Note 2.3
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	15,165	"	-	-	-	( 1,384)		60.00	( 830)	8,136	-	Note 2.2

Note 1: The investmets are classified as follows:

- 1.Through investment in an existitng 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 \$80,551 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, 2015 is based on:

- 1.The financial statements were audited and attested by R.O.C parent company's CPA.
- 2.The financial statements were audited by other independent accountants in PricewaterhouseCoopers, Taiwan.
- 3.Others.

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, 2015	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.	\$ 1,794,737	\$ 2,981,646	\$ 27,466,177