

HOTAI MOTOR COMPANY LIMITED
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014

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.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014
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REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

To the Board of Directors and Shareholders
Hotai Motor Company Limited

We have audited the accompanying parent company only balance sheets of Hotai Motor Co., Ltd. as of December 31, 2015 and 2014, and January 1, 2014, and the related parent company only statements of comprehensive income, of changes in equity, and of cash flows for the years ended December 31, 2015 and 2014. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits. We did not audit the financial statements of certain investee companies accounted for using equity method. The financial statements of these investee companies were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on investees as described in Note 13 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 adopted generally accounting policies by Hotai Motor Co., Ltd. The total comprehensive income for these companies amounted to NT\$306,437 thousand and NT\$351,171 thousand, constituting 3.16% and 3.69% of the total comprehensive income for the years ended December 31, 2015 and 2014, respectively, and the related investments accounted for using equity method amounted to NT\$5,067,014 thousand and NT\$4,693,820 thousand, constituting 9.96% and 10.69% of total assets as of 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Hotai Motor Co., Ltd. as of December 31, 2015 and 2014, and January 1, 2014, and its financial performance and cash flows for the years ended December 31, 2015 and 2014, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

March 28, 2016

The accompanying 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.
PARENT COMPANY ONLY 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	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,820,416	12	\$ 2,654,072	6	\$ 6,710,404	15
1110	Financial assets at fair value through profit or loss	6(2)	3,153,196	6	2,500,522	6	1,844,042	4
1150	Notes receivable, net	6(4)	17,081	-	16,230	-	20,116	-
1160	Notes receivable – related parties, net	6(4) and 7	43,950	-	3,111	-	-	-
1170	Accounts receivable, net	6(4)	33,903	-	38,404	-	470,615	1
1180	Accounts receivable – related parties, net	6(4) and 7	1,445,862	3	719,093	2	1,736,878	4
1200	Other receivables	7	731,633	1	599,223	1	1,178,634	3
130X	Inventories	6(5)	1,572,201	3	960,785	2	2,274,170	5
1410	Prepayments		279,717	1	131,205	-	226,929	-
11XX	Total current assets		<u>13,097,959</u>	<u>26</u>	<u>7,622,645</u>	<u>17</u>	<u>14,461,788</u>	<u>32</u>
Non-current assets								
1523	Available-for-sale financial assets	6(3)	789,613	2	849,366	2	841,039	2
1550	Investments accounted for using equity method	6(6)	30,581,248	60	28,955,265	66	23,294,059	52
1600	Property, plant and equipment	6(7)	3,696,383	7	3,739,070	8	3,855,755	8
1760	Investment property, net	6(8)	2,068,920	4	2,114,574	5	1,786,426	4
1780	Intangible assets		-	-	1,692	-	4,482	-
1840	Deferred income tax assets	6(22)	265,936	-	269,311	1	273,626	1
1900	Other non-current assets		367,579	1	339,632	1	301,911	1
15XX	Total non-current assets		<u>37,769,679</u>	<u>74</u>	<u>36,268,910</u>	<u>83</u>	<u>30,357,298</u>	<u>68</u>
1XXX	Total assets		<u>\$ 50,867,638</u>	<u>100</u>	<u>\$ 43,891,555</u>	<u>100</u>	<u>\$ 44,819,086</u>	<u>100</u>

(Continued)

HOTAI MOTOR CO., LTD.
PARENT COMPANY ONLY 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	%	
Current liabilities								
2100	Short-term loans	6(9)	\$ 351,227	1	\$ 1,063,440	2	\$ 879,248	2
2170	Accounts payable	6(10)	1,966,924	4	312,924	1	1,866,789	4
2180	Accounts payable – related parties	6(10) and 7	3,544,343	7	2,111,698	5	4,141,619	9
2200	Other payables	6(11) and 7	2,120,939	4	1,809,337	4	1,694,247	4
2230	Current income tax liabilities	6(22)	843,186	2	563,358	1	653,911	1
2250	Provisions	6(13)	1,135,281	2	1,116,925	3	836,189	2
2300	Other current liabilities		130,958	-	110,309	-	40,856	-
21XX	Total current liabilities		<u>10,092,858</u>	<u>20</u>	<u>7,087,991</u>	<u>16</u>	<u>10,112,859</u>	<u>22</u>
Non-current liabilities								
2550	Provisions	6(13)	713,537	2	711,468	2	948,214	2
2570	Deferred income tax liabilities	6(22)	696,446	1	697,789	1	713,986	2
2600	Other non-current liabilities		658	-	1,610	-	1,499	-
25XX	Total non-current liabilities		<u>1,410,641</u>	<u>3</u>	<u>1,410,867</u>	<u>3</u>	<u>1,663,699</u>	<u>4</u>
2XXX	Total liabilities		<u>11,503,499</u>	<u>23</u>	<u>8,498,858</u>	<u>19</u>	<u>11,776,558</u>	<u>26</u>
Equity								
Share capital								
3110	Common stock	6(14)	5,461,792	11	5,461,792	12	5,461,792	12
Capital surplus								
3200	Capital surplus	6(15)	263,060	-	263,060	1	263,060	1
Retained earnings								
3310	Legal reserve	6(16)	7,285,058	14	6,365,384	14	5,600,373	13
3320	Special reserve		381,843	1	381,843	1	381,843	1
3350	Unappropriated earnings		24,863,218	49	21,805,767	50	20,584,842	46
Other equity								
3400	Other equity interest		1,109,168	2	1,114,851	3	750,618	1
3XXX	Total equity		<u>39,364,139</u>	<u>77</u>	<u>35,392,697</u>	<u>81</u>	<u>33,042,528</u>	<u>74</u>
Commitments and contingent liabilities								
3X2X	Total liabilities and equity	9	<u>\$ 50,867,638</u>	<u>100</u>	<u>\$ 43,891,555</u>	<u>100</u>	<u>\$ 44,819,086</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.
See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	2015		(Adjusted) 2014	
		Amount	%	Amount	%
4000 Operating revenue	6(17) and 7	\$ 101,971,202	100	\$ 103,873,219	100
5000 Operating costs	6(5) and 7	(93,228,787)	(92)	(95,832,386)	(92)
5900 Gross profit before realized (unrealized) gross profit on sales to subsidiaries and associates		8,742,415	8	8,040,833	8
5910 Unrealized profit from sales		(107,344)	-	(70,646)	-
5920 Realized profit from sales		70,646	-	138,790	-
5950 Gross profit		8,705,717	8	8,108,977	8
Operating expenses	6(20)(21) and 7				
6100 Selling expenses		(1,906,061)	(2)	(1,662,036)	(2)
6200 General and administrative expenses		(1,247,809)	(1)	(1,215,151)	(1)
6000 Total operating expenses		(3,153,870)	(3)	(2,877,187)	(3)
6900 Operating profit		5,551,847	5	5,231,790	5
Non-operating income and expenses					
7010 Other income	6(18) and 7	915,140	1	819,283	1
7020 Other gains and losses	6(19)	10,546	-	67,702	-
7050 Finance costs	7	(23,550)	-	(27,858)	-
7070 Share of profit of subsidiaries associates and joint ventures accounted for using equity method	6(6)	4,679,684	5	4,119,134	4
7000 Total non-operating income and expenses		5,581,820	6	4,978,261	5
7900 Profit before income tax		11,133,667	11	10,210,051	10
7950 Income tax expense	6(22)	(1,357,076)	(1)	(1,014,112)	(1)
8200 Profit for the year		\$ 9,776,591	10	\$ 9,195,939	9
Other comprehensive income (loss)					
Components of other comprehensive loss that will not be reclassified to profit or loss					
8330 Share of other comprehensive loss of subsidiaries associates and joint ventures accounted for using equity method		(\$ 64,585)	-	(\$ 44,293)	-
8310 Total components of other comprehensive loss that will not be reclassified to profit or loss		(64,585)	-	(44,293)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(16,648)	-	133,004	-
8362 Unrealized gain (loss) from available-for-sale financial assets	6(3)	(92,279)	-	9,998	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		103,244	-	221,231	-
8360 Total components of other comprehensive income (loss) that will be reclassified to profit or loss		(5,683)	-	364,233	-
8300 Other comprehensive income (loss), net		(\$ 70,268)	-	\$ 319,940	-
8500 Total comprehensive income for the year		\$ 9,706,323	10	\$ 9,515,879	9
Earnings per share (in dollars)	6(23)				
9750 Basic earnings per share		\$ 17.90		\$ 16.84	
9850 Diluted earnings per share		\$ 17.89		\$ 16.83	

The accompanying notes are an integral part of the parent company only financial statements.
See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity			Total equity	
		Share Capital – common stock	Capital surplus -additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain from available-for-sale financial assets		Gain (loss) on effective portion of cash flow hedges
<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
Appropriations of 2013 earnings:	6(16)									
Legal reserve		-	-	765,011	-	(765,011)	-	-	-	-
Cash dividends		-	-	-	-	(6,881,858)	-	-	-	(6,881,858)
Participation in investee's capital increase not proportional to ownership		-	-	-	-	(283,852)	-	-	-	(283,852)
Profit for the year		-	-	-	-	9,195,939	-	-	-	9,195,939
Other comprehensive income for the year		-	-	-	-	(44,293)	216,569	98,360	49,304	319,940
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>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
Appropriations of 2014 earnings:	6(16)									
Legal reserve		-	-	919,674	-	(919,674)	-	-	-	-
Cash dividends		-	-	-	-	(5,734,881)	-	-	-	(5,734,881)
Profit for the year		-	-	-	-	9,776,591	-	-	-	9,776,591
Other comprehensive loss for the year		-	-	-	-	(64,585)	(17,561)	4,257	7,621	(70,268)
Balance at December 31, 2015		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 7,285,058</u>	<u>\$ 381,843</u>	<u>\$ 24,863,218</u>	<u>\$ 372,709</u>	<u>\$ 738,780</u>	<u>(\$ 2,321)</u>	<u>\$ 39,364,139</u>

The accompanying notes are an integral part of the parent company only financial statements.
See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<u>Cash flows from operating activities</u>			
Profit before tax for the year		\$ 11,133,667	\$ 10,210,051
Adjustments to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets at fair value through profit or loss	6(19)	67,111	(26,075)
Reversal of bad debts expense		(157)	-
Depreciation (including investment property)	6(7)(8)(20)	93,836	99,777
Amortization	6(20)	1,692	2,790
Net gain on disposal of property, plant and equipment (including rental property)	6(7)(8)(19)	(464)	-
Loss on abandonment of property, plant and equipment	6(7)(8)(19)	18,289	19
Share of profit of associates accounted for using equity method	6(6)	(4,679,684)	(4,119,134)
Impairment loss on financial assets		-	1,671
Gain on disposal of investments accounted for using equity method		-	(1,930)
Interest expense		23,550	27,858
Interest income	6(18)	(78,611)	(91,091)
Unrealized profit from sales		107,344	70,646
Realized profit from sales		(70,646)	(138,790)
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		(719,785)	(630,405)
Notes receivable		(41,690)	775
Accounts receivable		(722,111)	1,449,996
Other receivables		(132,390)	577,288
Inventories		(611,416)	1,313,385
Prepayments		(148,556)	95,802
Net changes in liabilities relating to operating activities			
Notes and accounts payable		3,086,645	(3,583,786)
Other payables		311,830	115,035
Other current liabilities		39,005	350,189
Other non-current liabilities		1,117	(236,635)
Cash generated from operations		7,678,576	5,487,436
Cash dividends received		2,898,253	1,725,187
Interest paid		(23,734)	(27,881)
Income taxes paid		(1,075,216)	(1,116,547)
Interest received		78,591	93,214
Net cash provided by operating activities		9,556,470	6,161,409
<u>Cash flows from investing activities</u>			
Acquisition of available-for-sale financial assets	6(3)	(32,526)	-
Acquisition of investments accounted for using equity method	6(6)	(10,763)	(3,228,212)
Proceeds from disposal of investments accounted for using equity method		151,524	57,117
Acquisition of property, plant and equipment	6(7)	(25,878)	(311,259)
Proceeds from disposal of property, plant and equipment and investment property	6(7)	2,558	-
Increase in other non-current assets		(27,947)	(37,721)
Net cash provided by (used in) investing activities		56,968	(3,520,075)
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term loans		(712,213)	184,192
Cash dividends paid	6(16)	(5,734,881)	(6,881,858)
Net cash used in financing activities		(6,447,094)	(6,697,666)
Increase (decrease) in cash and cash equivalents		3,166,344	(4,056,332)
Cash and cash equivalents at beginning of year		2,654,072	6,710,404
Cash and cash equivalents at end of year		\$ 5,820,416	\$ 2,654,072

The accompanying notes are an integral part of the parent company only financial statements.
See report of independent accountants dated March 28, 2016.

HOTAI MOTOR CO., LTD.
NOTES TO THE PARENT COMPANY ONLY 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 company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on April 25, 1955. The Company is primarily engaged in assembling, trading, import of vehicles, automobile air conditioners and their parts.

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

These 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 financial statements. The impact of adopting the 2013 version of IFRS is as follows:

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. Additional disclosures are required for defined benefit plans.

The Company 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. 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 Company will adjust its presentation of the statement of comprehensive income.

C. 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 Company's assessment, the adoption of the standard has no significant impact on its financial statements, and the Company 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 Company

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 (amendments 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 Company 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 financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(4) Classification of current and non-current items

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

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

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

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

(5) Cash equivalents

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

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

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

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

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

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

(7) Available-for-sale financial assets

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

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

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

(8) 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.

(9) Impairment of financial assets

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

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

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortized cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - (b) Available-for-sale financial assets
The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value, and recognizes the difference between fair value and book value in the profit or loss for the period. The accounting treatment on the previously recognized account related to the subsidiary in other comprehensive income is the same as the basis if the Company directly disposes related assets or liabilities, which means should reclassify the gain or loss on disposal of related assets or liabilities to profit or loss; and when the Company loses control in the subsidiary, the gain or loss should be reclassified from equity to profit or loss.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(13) Property, plant and equipment

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

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5 ~ 50 years
Utility equipment	8 ~ 10 years
Office equipment	3 ~ 20 years
Other equipment	5 ~ 6 years
Rental assets	7 ~ 10 years

(14) Leased assets / leases (lessee)

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

(15) Investment property

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

(16) Intangible assets

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

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the

higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

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

(19) Notes and accounts payable

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

(20) 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.

(21) Provisions

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

(22) Employee benefits

A. Short-term benefits

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

B. Pensions

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

C. Employees', 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 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.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

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

(24) 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.

(25) 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.

(26) Revenue recognition

Sales of goods

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Provisions for warranty

To provide vehicle owners more complete after-sales service and dependable quality, 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(13) "Provisions" for more information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2015	2014
Cash on hand and petty cash	\$ 250	\$ 400
Checking accounts and demand deposits	147,853	854,258
Cash equivalents - short-term notes and bills	<u>5,672,313</u>	<u>1,799,414</u>
	<u>\$ 5,820,416</u>	<u>\$ 2,654,072</u>

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

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

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

	December 31,	
	2015	2014
Current items:		
Financial assets held for trading		
Domestic open-ended quasi money market fund	\$ 3,090,190	\$ 2,370,405
Non-hedging derivative instruments	54,417	126,797
Valuation adjustment	<u>8,589</u>	<u>3,320</u>
	<u>\$ 3,153,196</u>	<u>\$ 2,500,522</u>

A. The Company recognized net loss of \$61,232 and gain of \$45,742 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:

<u>Derivative instruments</u>	December 31,			
	2015		2014	
	Contract amount (Notional Principal) (in thousands)	Contract period	Contract amount (Notional Principal) (in thousands)	Contract period
Current items:				
Forward foreign exchange contracts	USD 176,790	2015.10.20~2016.3.14	USD 202,590	2014.10.9~2015.3.13

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

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

(3) Available-for-sale financial assets

	December 31,	
	2015	2014
Non-current items:		
Listed stocks and unlisted stocks	\$ 331,692	\$ 299,166
Valuation adjustment of available-for-sale financial assets	457,921	550,200
	<u>\$ 789,613</u>	<u>\$ 849,366</u>

The Company recognized loss of \$92,279 and gain of \$9,998 in other comprehensive income for fair value change for the years ended December 31, 2015 and 2014, respectively.

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

	December 31,	
	2015	2014
Notes receivable	\$ 61,031	\$ 19,496
Accounts receivable	1,479,765	757,499
Less: Allowance for doubtful accounts	-	(157)
	<u>\$ 1,540,796</u>	<u>\$ 776,838</u>

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

B. Movements of the Company's provision for impairment of accounts receivable are as follows:

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
At January 1	\$ 157	\$ 157
Reversal of impairment	(157)	-
At December 31	<u>\$ -</u>	<u>\$ 157</u>

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

(5) Inventories

	<u>December 31, 2015</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles	\$ 586,641	\$ -	\$ 586,641
Parts	604,890	(61,104)	543,786
Inventory in transit	<u>441,774</u>	<u>-</u>	<u>441,774</u>
	<u>\$ 1,633,305</u>	<u>(\$ 61,104)</u>	<u>\$ 1,572,201</u>

	<u>December 31, 2014</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles	\$ 261,787	\$ -	\$ 261,787
Parts	539,763	(61,162)	478,601
Inventory in transit	<u>220,397</u>	<u>-</u>	<u>220,397</u>
	<u>\$ 1,021,947</u>	<u>(\$ 61,162)</u>	<u>\$ 960,785</u>

A. The Company had no inventories pledged to others as collateral.

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cost of goods sold	\$ 93,223,690	\$ 95,825,033
Loss on (gain on reversal of) inventory write-down	(58)	2,944
Others	<u>5,155</u>	<u>4,409</u>
	<u>\$ 93,228,787</u>	<u>\$ 95,832,386</u>

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

(6) Investments accounted for using equity method

	December 31,	
	2015	2014
Ho-Jan Investment Co., Ltd.	\$ 7,182,649	\$ 6,474,144
Kuozui Motors, Ltd.	4,822,743	4,661,550
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	3,309,922	3,377,309
Chang Yuan Motor Co., Ltd.	3,271,595	2,994,870
Central Motor Co., Ltd.	2,338,547	2,221,540
Ho Tai Development Co., Ltd.	1,791,597	1,639,163
Tau Miau Motor Co., Ltd.	1,342,355	1,374,640
Kau Du Automobile Co., Ltd.	1,287,020	1,284,624
Carmax Co., Ltd.	944,275	743,952
Taipei Toyota Motor Co., Ltd.	848,882	887,871
Kuotu Motor Co., Ltd.	843,038	798,592
Nan Du Motor Co., Ltd.	805,807	795,057
Toyota Material Handling Taiwan Ltd.	695,994	657,204
Eastern Motor Co., Ltd.	298,056	261,403
Lang Yang Toyota Motor Co., Ltd.	276,321	280,015
Formosa Flexible Packaging Corp.	259,852	258,717
Shi-Ho Screw Industrial Co., Ltd.	262,595	244,614
	<u>\$ 30,581,248</u>	<u>\$ 28,955,265</u>

- A. Please refer to Note 4(3) of the 2015 consolidated financial statements for related information about subsidiaries of the Company.
- B. The Company's investments have no quoted market prices. The share of profit of investments accounted for using the equity method were \$4,679,684 and \$4,119,134, which were valued based on the investees' financial statement audited by the independent accountants for the years ended December 31, 2015 and 2014, respectively, which were valued based on the financial statements audited by the Companies' independent accounts.
- 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.
- E. The Company purchased 20% of outstanding shares of Smart Design Technology Co., Ltd. with cash consideration of \$10,763 on October 12, 2015.
- F. Certain investments in associates are immaterial to the Company. As of December 31, 2015 and 2014, the book values of these investments are \$13,077,134 and \$12,807,220, respectively. The Company's share of operating results of these associates are summarized as follows:

	Years ended December 31,	
	2015	2014
Comprehensive income for the year	\$ 9,395,619	\$ 8,641,759

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Rental assets</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2015</u>								
Cost	\$ 2,143,310	\$ 1,160,189	\$ 128,534	\$ 502,209	\$ 5,285	\$ 102,176	\$ 3,301	\$ 4,045,004
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(563,896)	(125,323)	(414,877)	(4,427)	(102,154)	-	(1,237,527)
	<u>\$ 3,047,957</u>	<u>\$ 596,389</u>	<u>\$ 3,211</u>	<u>\$ 87,332</u>	<u>\$ 858</u>	<u>\$ 22</u>	<u>\$ 3,301</u>	<u>\$ 3,739,070</u>
<u>2015</u>								
Opening net book amount	\$ 3,047,957	\$ 596,389	\$ 3,211	\$ 87,332	\$ 858	\$ 22	\$ 3,301	\$ 3,739,070
Additions	-	175	298	20,267	324	-	4,814	25,878
Disposals	-	-	-	(2,102)	-	-	-	(2,102)
Reclassifications	-	3,301	-	-	-	-	(3,301)	-
Depreciation	-	(34,567)	(586)	(30,978)	(321)	(11)	-	(66,463)
Closing net book amount	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>
<u>At December 31, 2015</u>								
Cost	\$ 2,143,310	\$ 1,163,665	\$ 128,832	\$ 510,485	\$ 5,512	\$ 102,176	\$ 4,814	\$ 4,058,794
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(598,463)	(125,909)	(435,966)	(4,651)	(102,165)	-	(1,294,004)
	<u>\$ 3,047,957</u>	<u>\$ 565,298</u>	<u>\$ 2,923</u>	<u>\$ 74,519</u>	<u>\$ 861</u>	<u>\$ 11</u>	<u>\$ 4,814</u>	<u>\$ 3,696,383</u>

	<u>Land</u>	<u>Buildings</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Rental assets</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2014</u>								
Cost	\$ 2,116,576	\$ 1,275,812	\$ 128,534	\$ 479,522	\$ 5,062	\$ 102,176	\$ 64,157	\$ 4,171,839
Revaluation gain	859,383	96	-	-	-	-	-	859,479
Accumulated depreciation and impairment	(26,850)	(531,434)	(124,710)	(386,337)	(4,100)	(102,132)	-	(1,175,563)
	<u>\$ 2,949,109</u>	<u>\$ 744,474</u>	<u>\$ 3,824</u>	<u>\$ 93,185</u>	<u>\$ 962</u>	<u>\$ 44</u>	<u>\$ 64,157</u>	<u>\$ 3,855,755</u>
<u>2014</u>								
Opening net book amount	\$ 2,949,109	\$ 744,474	\$ 3,824	\$ 93,185	\$ 962	\$ 44	\$ 64,157	\$ 3,855,755
Additions	-	2,709	-	16,233	223	-	292,094	311,259
Disposals	-	-	-	(19)	-	-	-	(19)
Reclassifications	98,848	(112,067)	-	10,462	-	-	(352,950)	(355,707)
Depreciation	-	(38,727)	(613)	(32,529)	(327)	(22)	-	(72,218)
Closing net book amount	<u>\$ 3,047,957</u>	<u>\$ 596,389</u>	<u>\$ 3,211</u>	<u>\$ 87,332</u>	<u>\$ 858</u>	<u>\$ 22</u>	<u>\$ 3,301</u>	<u>\$ 3,739,070</u>
<u>At December 31, 2014</u>								
Cost	\$ 2,143,310	\$ 1,160,189	\$ 128,534	\$ 502,209	\$ 5,285	\$ 102,176	\$ 3,301	\$ 4,045,004
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(563,896)	(125,323)	(414,877)	(4,427)	(102,154)	-	(1,237,527)
	<u>\$ 3,047,957</u>	<u>\$ 596,389</u>	<u>\$ 3,211</u>	<u>\$ 87,332</u>	<u>\$ 858</u>	<u>\$ 22</u>	<u>\$ 3,301</u>	<u>\$ 3,739,070</u>

(8) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 755,900	\$ 1,017,494	\$ 1,773,394
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(413,066)</u>	<u>(413,066)</u>
	<u>\$ 1,498,163</u>	<u>\$ 616,411</u>	<u>\$ 2,114,574</u>

2015

Opening net book amount	\$ 1,498,163	\$ 616,411	\$ 2,114,574
Disposals	-	(18,281)	(18,281)
Depreciation	<u>-</u>	<u>(27,373)</u>	<u>(27,373)</u>
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>

At December 31, 2015

Cost	\$ 755,900	\$ 992,039	\$ 1,747,939
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(433,265)</u>	<u>(433,265)</u>
	<u>\$ 1,498,163</u>	<u>\$ 570,757</u>	<u>\$ 2,068,920</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 483,453	\$ 862,120	\$ 1,345,573
Revaluation gain	814,377	11,983	826,360
Accumulated depreciation	<u>-</u>	<u>(385,507)</u>	<u>(385,507)</u>
	<u>\$ 1,297,830</u>	<u>\$ 488,596</u>	<u>\$ 1,786,426</u>

2014

Opening net book amount	\$ 1,297,830	\$ 488,596	\$ 1,786,426
Reclassifications	200,333	155,374	355,707
Depreciation	<u>-</u>	<u>(27,559)</u>	<u>(27,559)</u>
Closing net book amount	<u>\$ 1,498,163</u>	<u>\$ 616,411</u>	<u>\$ 2,114,574</u>

At December 31, 2014

Cost	\$ 755,900	\$ 1,017,494	\$ 1,773,394
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(413,066)</u>	<u>(413,066)</u>
	<u>\$ 1,498,163</u>	<u>\$ 616,411</u>	<u>\$ 2,114,574</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Rental revenue from investment property	<u>\$ 193,237</u>	<u>\$ 162,679</u>
Direct operating expenses arising from the investment property that generated rental revenue during the year	<u>\$ 27,373</u>	<u>\$ 27,559</u>

B. The fair value of the investment property held by the Company was \$3,367,513 and \$3,175,119 as of December 31, 2015 and 2014, respectively, base on the market value method.

(9) Short-term loans

<u>Type of loans</u>	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Unsecured loans	<u>\$ 351,227</u>	<u>\$ 1,063,440</u>
Annual interest rate	<u>0.73%</u>	<u>0.68%~0.73%</u>

(10) Accounts payable (including related parties)

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Accounts payable	<u>\$ 2,644,851</u>	<u>\$ 795,809</u>
Accounts payable - foreign currencies	<u>2,852,857</u>	<u>1,581,456</u>
	<u>5,497,708</u>	<u>2,377,265</u>
Valuation adjustment	<u>13,559</u>	<u>47,357</u>
	<u>\$ 5,511,267</u>	<u>\$ 2,424,622</u>

(11) Other payables

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Year-end bonus payable	<u>\$ 644,086</u>	<u>\$ 638,516</u>
Advertisement expense payable	<u>391,468</u>	<u>336,772</u>
Remuneration due to directors and supervisors	<u>347,927</u>	<u>247,952</u>
Payable on discounts for distributors	<u>179,839</u>	<u>172,746</u>
Business tax payable	<u>148,202</u>	<u>-</u>
Employees' remuneration (bonus) payable	<u>115,976</u>	<u>82,651</u>
Warranty cost payable	<u>105,628</u>	<u>98,737</u>
Others	<u>187,813</u>	<u>231,963</u>
	<u>\$ 2,120,939</u>	<u>\$ 1,809,337</u>

(12) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2015 and 2014 were \$25,852 and \$26,315, respectively.

(13) Provisions

	<u>Provision for warranty</u>
At January 1, 2015	\$ 1,828,393
Additional provisions	576,206
Used during the year	(375,975)
Unused amounts reversed	(179,806)
At December 31, 2015	<u>\$ 1,848,818</u>

Analysis of total provisions:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current	<u>\$ 1,135,281</u>	<u>\$ 1,116,925</u>
Non-current	<u>\$ 713,537</u>	<u>\$ 711,468</u>

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

(14) Share capital

As of December 31, 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.

(15) Capital surplus

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

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve, and 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(21).

(17) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Sales revenue	\$ 100,944,514	\$ 103,174,780
Service revenue	<u>1,026,688</u>	<u>698,439</u>
	<u>\$ 101,971,202</u>	<u>\$ 103,873,219</u>

(18) Other income

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Rental income	\$ 193,237	\$ 162,679
Interest income	78,611	91,091
Others	<u>643,292</u>	<u>565,513</u>
	<u>\$ 915,140</u>	<u>\$ 819,283</u>

(19) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(\$ 67,111)	\$ 26,075
Gain on disposal of property, plant and equipment	464	-
Loss on abandonment of property, plant and equipment	(18,289)	(19)
Net currency exchange gain	116,987	49,301
Gain on disposal of investments	5,879	21,597
Impairment loss	-	(1,671)
Miscellaneous	(27,384)	(27,581)
	<u>\$ 10,546</u>	<u>\$ 67,702</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Employee benefit expense	\$ 1,703,638	\$ 1,612,329
Depreciation	93,836	99,777
Amortization	<u>1,692</u>	<u>2,790</u>
	<u>\$ 1,799,166</u>	<u>\$ 1,714,896</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Wages and salaries	\$ 1,542,395	\$ 1,453,325
Labor and health insurance fees	57,540	55,709
Pension costs	25,852	26,315
Other personnel expenses	<u>77,851</u>	<u>76,980</u>
	<u>\$ 1,703,638</u>	<u>\$ 1,612,329</u>

Note: As of December 31, 2015 and 2014, the Company had 567 and 552 employees, respectively.

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, 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.

(22) Income tax

A. 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	\$ 1,103,668	\$ 1,027,384
Tax on undistributed surplus earnings	254,218	324
Prior year income tax over estimate	(2,842)	(1,714)
Total current tax	<u>1,355,044</u>	<u>1,025,994</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>2,032</u>	<u>(11,882)</u>
Income tax expense	<u>\$ 1,357,076</u>	<u>\$ 1,014,112</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	\$ 1,892,723	\$ 1,733,579
Effects from adjustments based on regulation	(787,023)	(718,077)
Additional 10% surtax on undistributed earnings	254,218	324
Prior year income tax over estimate	(2,842)	(1,714)
Income tax expense	<u>\$ 1,357,076</u>	<u>\$ 1,014,112</u>

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

	<u>Years ended December 31, 2015</u>		
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 10,397	(\$ 9)	\$ 10,388
Provision for after-sale service	7,730	-	7,730
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	12,010	6,239	18,249
Unrealized provision for warranty	199,848	1,857	201,705
Others	<u>25,420</u>	<u>(11,462)</u>	<u>13,958</u>
	<u>269,311</u>	<u>(3,375)</u>	<u>265,936</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(188,424)	1,343	(187,081)
Land value increment tax	<u>(509,365)</u>	<u>-</u>	<u>(509,365)</u>
	<u>(697,789)</u>	<u>1,343</u>	<u>(696,446)</u>
	<u>(\$ 428,478)</u>	<u>(\$ 2,032)</u>	<u>(\$ 430,510)</u>

	<u>Years ended December 31, 2014</u>		
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	\$ 9,897	\$ 500	\$ 10,397
Provision for after-sale service	7,730	-	7,730
Bad debt expense	13,906	-	13,906
Unrealized gain on inter-affiliate accounts	23,594	(11,584)	12,010
Unrealized provision for warranty	203,064	(3,216)	199,848
Others	<u>15,435</u>	<u>9,985</u>	<u>25,420</u>
	<u>273,626</u>	<u>(4,315)</u>	<u>269,311</u>
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(204,621)	16,197	(188,424)
Land value increment tax	<u>(509,365)</u>	<u>-</u>	<u>(509,365)</u>
	<u>(713,986)</u>	<u>16,197</u>	<u>(697,789)</u>
	<u>(\$ 440,360)</u>	<u>\$ 11,882</u>	<u>(\$ 428,478)</u>

D. The Company's income tax returns through 2012 have been assessed and approved by the Tax Authority.

E. 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	<u>23,029,344</u>	<u>19,971,893</u>
	<u>\$ 24,863,218</u>	<u>\$ 21,805,767</u>

F. 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.

(23) Earnings per share

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

	<u>Year ended December 31, 2014</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 9,195,939</u>	<u>546,179</u>	<u>\$ 16.84</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	9,195,939	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>271</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 9,195,939</u>	<u>546,450</u>	<u>\$ 16.83</u>

(24) Operating leases

A. Lessor

The Company leases its office building to related and non-related parties under operating lease agreements with terms between 2 to 6 years. Future expected rental income are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Up to 1 year	\$ 179,553	\$ 176,953
1 to 5 years	<u>164,412</u>	<u>335,744</u>
	<u>\$ 343,965</u>	<u>\$ 512,697</u>

B. Lesser

The Company leases business premises from related and non-related parties with lease terms between 3 and 10 years. Rental expenses recognized in operating expense for the years ended December 31, 2015 and 2014 are \$42,619 and \$39,299, respectively. Future expected rental expenses are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Up to 1 year	\$ 19,263	\$ 11,234
1 to 5 years	<u>24,936</u>	<u>24,936</u>
	<u>\$ 44,199</u>	<u>\$ 36,170</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(a) Sales of goods:		
-Associates	\$ 96,514,656	\$ 88,458,595
-Subsidiaries	3,974,535	4,003,253
-Entities controlled by key management	<u>917</u>	<u>1,616</u>
	<u>\$ 100,490,108</u>	<u>\$ 92,463,464</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(b) Service revenue:		
-Subsidiaries	\$ 999,404	\$ 669,613
-Associates	<u>27,284</u>	<u>28,826</u>
	<u>\$ 1,026,688</u>	<u>\$ 698,439</u>

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(c) Interest income:		
-Associates	\$ 53,328	\$ 49,544
-Subsidiaries	<u>1,637</u>	<u>1,671</u>
	<u>\$ 54,965</u>	<u>\$ 51,215</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>
(d) Rental revenue:		
-Subsidiaries	\$ 108,243	\$ 111,146
-Associates	84,783	52,228
-Entities controlled by key management	<u>880</u>	<u>668</u>
	<u>\$ 193,906</u>	<u>\$ 164,042</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)		
-Entities controlled by key management	\$ 332,748	\$ 342,642
-Associates	169,230	109,700
-Subsidiaries	<u>14,157</u>	<u>16,461</u>
	<u>\$ 516,135</u>	<u>\$ 468,803</u>
	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(g) Advertising subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates	\$ 237,222	\$ 288,380
-Entities controlled by key management	72,725	52,937
-Subsidiaries	<u>50,209</u>	<u>31,608</u>
	<u>\$ 360,156</u>	<u>\$ 372,925</u>
	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(h) Distribution income (shown as deductions on 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	\$ 318,966	\$ 292,864
-Subsidiaries	136,486	122,578
-Entities controlled by key management	<u>38,583</u>	<u>25,940</u>
	<u>\$ 494,035</u>	<u>\$ 441,382</u>

B. Expenditure

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(a) Purchase of goods:		
-Associates	\$ 47,375,170	\$ 51,163,333
-Entities controlled by key management	29,673,415	28,208,251
-Subsidiaries	<u>1,103,962</u>	<u>1,039,682</u>
	<u>\$ 78,152,547</u>	<u>\$ 80,411,266</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(b) Interest expense:		
-Associates	<u>\$ 20,364</u>	<u>\$ 22,276</u>

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 expenses:		
-Subsidiaries	\$ 15,148	\$ 14,664
-Associates	<u>6,099</u>	<u>6,012</u>
	<u>\$ 21,247</u>	<u>\$ 20,676</u>

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

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(d) Warranty cost:		
-Associates	\$ 437,252	\$ 426,589
-Subsidiaries	<u>133,532</u>	<u>75,856</u>
	<u>\$ 570,784</u>	<u>\$ 502,445</u>

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
(e) Advertisement expense:		
-Associates	\$ 42,611	\$ 20,032
-Subsidiaries	6,610	4,489
-Entities controlled by key management	<u>9,528</u>	<u>1,310</u>
	<u>\$ 58,749</u>	<u>\$ 25,831</u>

C. Receivables from (payables to) related parties

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(a) Receivables from related parties:		
-Associates	\$ 1,329,592	\$ 508,711
-Subsidiaries	160,050	212,979
-Entities controlled by key management	<u>170</u>	<u>514</u>
	<u>\$ 1,489,812</u>	<u>\$ 722,204</u>

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(b) Other receivables from related parties:		
-Associates	\$ 371,179	\$ 266,852
-Subsidiaries	39,304	28,273
-Entities controlled by key management	<u>552</u>	<u>1,518</u>
	<u>\$ 411,035</u>	<u>\$ 296,643</u>

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(c) Payables to related parties:		
-Entities controlled by key management	\$ 2,879,501	\$ 1,642,203
-Associates	548,864	340,500
-Subsidiaries	<u>115,978</u>	<u>128,995</u>
	<u>\$ 3,544,343</u>	<u>\$ 2,111,698</u>

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(d) Other payables		
-Associates	\$ 250,378	\$ 190,126
-Subsidiaries	61,546	43,089
-Entities controlled by key management	<u>2,181</u>	<u>26</u>
	<u>\$ 314,105</u>	<u>\$ 233,241</u>

(1) Endorsements and guarantees provided to related parties:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
-Subsidiaries	<u>USD 99,400</u>	<u>USD 119,400</u>

(2) Key management remuneration

<u>Years ended December 31,</u>	
<u>2015</u>	<u>2014</u>
\$ 411,489	\$ 314,542

Salaries and other short-term employee benefits

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Details of operating lease agreements are provided in Note 6(24).

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

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

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

(2)Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Management has set up a policy to require management of foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company enters into forward exchange contracts, through finance department. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

- ii. The Company's businesses involve some non-functional currency operations (the functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

<u>December 31, 2015</u>				
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD 545	32.8250	\$ 17,877	
JPY:NTD	JPY 16,793	0.2727	4,580	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD 97,603	32.8250	\$ 3,203,815	
JPY:NTD	JPY 50,709	0.2727	13,828	
<u>December 31, 2014</u>				
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD 346	31.6500	\$ 10,955	
JPY:NTD	JPY 19,437	0.2646	5,143	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD 84,839	31.6500	\$ 2,685,161	
JPY:NTD	JPY 26,803	0.2646	7,092	

- iii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2015 and 2014, amounted to \$116,987 and \$49,301, respectively.

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

		<u>Year ended December 31, 2015</u>		
		<u>Sensitivity analysis</u>		
		<u>Extent</u>	<u>Effect on</u>	<u>Effect on other</u>
		<u>of variation</u>	<u>profit or loss</u>	<u>comprehensive</u>
				<u>income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 179	\$ -
	JPY:NTD	1%	46	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	32,038	-
	JPY:NTD	1%	138	-

		<u>Year ended December 31, 2014</u>		
		<u>Sensitivity analysis</u>		
		<u>Extent</u>	<u>Effect on</u>	<u>Effect on other</u>
		<u>of variation</u>	<u>profit or loss</u>	<u>comprehensive</u>
				<u>income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 110	\$ -
	JPY:NTD	1%	51	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	26,852	-
	JPY:NTD	1%	71	-

Price risk and interest rate risk

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

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard

payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers by taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal ratings are accepted.

- ii. For the years ended December 31, 2015 and 2014, no credit limits were exceeded during the reporting periods, and management does not expect any significant loss from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(4).

(c) Liquidity risk

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

Non-derivative financial liabilities:

<u>December 31, 2015</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 351,227	\$ -	\$ -
Accounts payable	5,511,267	-	-
Other payables	2,120,939	-	-
<u>December 31, 2014</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 1,063,440	\$ -	\$ -
Accounts payable	2,424,622	-	-
Other payables	1,809,337	-	-

(3)Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(8).

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

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 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	\$ 3,098,779	\$ -	\$ -	\$ 3,098,779
Forward exchange contracts	-	54,417	-	54,417
Available-for-sale financial assets				
Equity securities	<u>528,978</u>	<u>-</u>	<u>260,635</u>	<u>789,613</u>
	<u>\$ 3,627,757</u>	<u>\$ 54,417</u>	<u>\$ 260,635</u>	<u>\$ 3,942,809</u>

<u>December 31, 2014</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	\$ 2,373,725	\$ -	\$ -	\$ 2,373,725
Forward exchange contracts	-	126,797	-	126,797
Available-for-sale financial assets				
Equity securities	<u>552,791</u>	<u>-</u>	<u>296,575</u>	<u>849,366</u>
	<u>\$ 2,926,516</u>	<u>\$ 126,797</u>	<u>\$ 296,575</u>	<u>\$ 3,349,888</u>

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

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

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

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active markets, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

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

E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2015 and 2014, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 260,635	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2015, December, 31, 2014 and January 1, 2014.

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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 Corporation	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

Not applicable.

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HOTAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 1

Item	Description	Amount
Petty cash		\$ 250
Checking accounts		48,323
Demand deposits		77,073
-NTD		
-USD	USD 545 thousand, conversion rate 32.825	17,877
-JPY	JPY 16,793, conversion rate 0.2727	4,580
Cash equivalents		
Short-term notes and bills	Maturity 1 month, interest rates at 0.37%~0.44%	5,672,313
		<u>\$ 5,820,416</u>

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HOTAI MOTOR CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 2

Item	Amount		Footnote
	Cost	Net realizable value	
Vehicles	\$ 586,641	\$ 614,609	
Parts	604,890	603,954	
Inventory in transit	441,774	441,774	
	1,633,305	<u>\$ 1,660,337</u>	
Less: Allowance for inventory obsolescence	(61,104)		
	<u>\$ 1,572,201</u>		

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HOTAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 3

Investee	Balance at January 1, 2015		Additions		Deductions		Balance at December 31, 2015			Net equity value		Collateral pledged		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership (%)	Amount	Unit price (In dollars)	Total amount			
Ho-Jan Investment Co., Ltd.	-	\$6,474,144	-	\$ 1,022,875	-(	\$ 314,370)	-	100.00%	\$ 7,182,649	\$ -	\$ 7,182,754	None	
Kuozui Motors, Ltd.	103,800,000	4,661,550	-	2,048,428	-(	1,887,235)	103,800,000	30.00%	4,822,743	46	4,818,572	"	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	63,227,700	3,377,309	-	75,276	(4,330,340)	(142,663)	58,897,360	100.00%	3,309,922	56	3,302,316	"
Chang Yuan Motor Co., Ltd.	211,662,373	2,994,870	26,450,600	276,725	-	-	238,112,973	100.00%	3,271,595	14	3,323,848	"		
Central Motor Co., Ltd.	15,000,000	2,221,540	-	162,007	-(	45,000)	15,000,000	20.00%	2,338,547	98	1,473,196	"	
Ho Tai Development Co., Ltd.	24,710,856	1,639,163	-	263,633	-(	111,199)	24,710,856	50.23%	1,791,597	74	1,821,484	"	
Tau Miao Motor Co., Ltd.	15,153,573	1,374,640	-	43,483	-(	75,768)	15,153,573	20.00%	1,342,355	59	888,602	"	
Kau Du Automobile Co., Ltd.	22,161,150	1,284,624	-	46,718	-(	44,322)	22,161,150	20.00%	1,287,020	35	772,214	"	
Carmax Co., Ltd.	12,240,000	743,952	-	334,963	-(	134,640)	12,240,000	51.00%	944,275	76	929,773	"	
Taipei Toyota Motor Co., Ltd.	25,438,987	887,871	-	37,328	-(	76,317)	25,438,987	34.81%	848,882	41	1,050,133	"	
Kuotu Motor Co., Ltd.	17,553,761	798,592	-	62,000	-(	17,554)	17,553,761	20.05%	843,038	48	849,301	"	
Nan Du Motor Co., Ltd.	14,806,073	795,057	-	84,780	-(	74,030)	14,806,073	23.67%	805,807	55	811,853	"	
Toyota Material Handling Taiwan Ltd.	40,305,073	657,204	4,184,954	120,027	-(	81,237)	44,490,027	100.00%	695,994	16	697,236	"	
Eastern Motor Co., Ltd.	19,063,263	261,403	5,871,713	36,653	-	-	24,934,976	100.00%	298,056	12	303,737	"		
Lang Yang Toyota Motor Co., Ltd.	2,000,000	280,015	-	10,306	-(	14,000)	2,000,000	20.00%	276,321	72	143,289	"	
Formosa Flexible Packaging Corp.	1,007,609	258,717	-	1,135	-	-	1,007,609	45.54%	259,852	273	275,506	"		
Shi-Ho Screw Industrial Co., Ltd.	211,433	132,816	-	12,578	-(	11,206)	211,433	21.14%	134,188	633	133,834	"	
Yokohama Tire Taiwan Co., Ltd.	3,000	111,798	-	17,958	-(	11,375)	3,000	25.00%	118,381	39,460	118,380	"	
Smart Design Technology Co., Ltd.	-	-	960,961	10,026	-	-	960,961	20.00%	10,026	10	9,887	"		
		<u>\$ 28,955,265</u>		<u>\$ 4,666,899</u>		<u>(\$ 3,040,916)</u>			<u>\$ 30,581,248</u>					

HOTAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 4

Item	Balance as of January 1, 2015	Additions	Deductions	Reclassifications	Balance as of December 31, 2015	Guaranteed or Pledged as collateral
Land						
Cost	\$ 2,143,310	\$ -	\$ -	\$ -	\$ 2,143,310	None
Less: Accumulated impairment	(26,850)	-	-	-	(26,850)	"
Subtotal	2,116,460				2,116,460	"
Revaluation gain	931,497	-	-	-	931,497	"
Buildings						
Cost	1,160,189	175	-	3,301	1,163,665	"
Revaluation gain	96	-	-	-	96	"
Utility equipment	128,534	298	-	-	128,832	"
Office equipment	502,209	20,267	(11,991)	-	510,485	"
Others	5,285	324	(97)	-	5,512	"
Rental assets	102,176	-	-	-	102,176	"
Construction in progress	3,301	4,814	-	(3,301)	4,814	"
	<u>\$ 4,949,747</u>	<u>\$ 25,878</u>	<u>(\$ 12,088)</u>	<u>\$ -</u>	<u>\$ 4,963,537</u>	

HOTAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 5

Item	Balance as of January 1, 2015	Additions	Deductions	Reclassifications	Balance as of December 31, 2015	Footnote
Buildings	\$ 563,896	\$ 34,567	\$ -	\$ -	\$ 598,463	
Utility equipment	125,323	586	-	-	125,909	
Office equipment	414,877	30,978	(9,889)	-	435,966	
Rental assets	102,154	11	-	-	102,165	
Others	4,427	321	(97)	-	4,651	
	<u>\$ 1,210,677</u>	<u>\$ 66,463</u>	<u>(\$ 9,986)</u>	<u>\$ -</u>	<u>\$ 1,267,154</u>	

HOTAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 6

Item	Balance as of January 1, 2015	Additions	Deductions	Reclassifications	Balance as of December 31, 2015	Guaranteed or Pledged as collateral
Land						
Cost	\$ 755,900	\$ -	\$ -	\$ -	\$ 755,900	None
Revaluation gain	742,263	-	-	-	742,263	"
Buildings						
Cost	1,017,494	-	(25,455)	-	992,039	"
Revaluation gain	11,983	-	-	-	11,983	"
	<u>\$ 2,527,640</u>	<u>\$ -</u>	<u>(\$ 25,455)</u>	<u>\$ -</u>	<u>\$ 2,502,185</u>	

HOTAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 7

<u>Item</u>	<u>Balance as of January 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>Balance as of December 31, 2015</u>	<u>Footnote</u>
Buildings	\$ 413,066	\$ 27,373	(\$ 7,174)	\$ -	\$ 433,265	

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HOTAI MOTOR CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 8

Item	Quantity	Amount	Footnote
Sales revenue of vehicles			
Sedan	114,703 cars	\$ 91,773,363	
Others	169 cars	402,428	
Sales revenue of parts		10,030,915	
Others		<u>1,370,702</u>	
Subtotal		103,577,408	
Sales returns and allowance		(<u>1,606,206</u>)	
		<u>\$ 101,971,202</u>	

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HOTAI MOTOR CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 9

Item	Description	Amount	Footnote
Initial inventories		\$ 1,021,947	
Add: Merchandise purchase		93,759,998	
Others		102,729	
Less: Ending inventories		(1,633,305)	
Reclassified to fixed assets and expenses		(17,287)	
Gain on physical inventory observation		(103)	
Others		(5,192)	
Operating costs		<u>\$ 93,228,787</u>	

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HOTAI MOTOR CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 10

Item	Description	Amount	Footnote
Wages and salaries		\$ 593,501	
Advertisement expense		576,760	
Freight		298,812	
Miscellaneous		436,988	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 1,906,061</u>	

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HOTAI MOTOR CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2015
(In thousands of New Taiwan Dollars)

STATEMENT 11

Item	Description	Amount	Footnote
Wages and salaries		\$ 974,746	
Miscellaneous		273,063	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 1,247,809</u>	

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Hotai Motor Co., Ltd.
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.
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.

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.	None	“	-	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							
	– Jih Sun Money Market Fund	Not applicable	“	61,610,189	900,000	-	900,833	
	– CTBC Hwa-win Money Market Fund	Not applicable	“	9,222,147	100,168	-	100,355	
	– FSITC Money Market Fund	Not applicable	“	2,838,732	500,000	-	500,000	
	– Nomura Taiwan Money Market Fund	Not applicable	“	18,617,582	300,000	-	300,000	
	– Franklin Templeton Sinoam Money Market Fund	Not applicable	“	69,048,186	700,000	-	704,153	
			Valuation adjustment of financial assets		8,589	-	-	
			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							
			Valuation adjustment of financial assets		804	-	-	
			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							
			Valuation adjustment of financial assets		407	-	-	
			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							
	- Nomura Taiwan Money Market Fund	Not applicable	“	6,207,402	100,000		\$ 100,025	
			Valuation adjustment of financial assets		41		-	
			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.

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			Balance as at December 31, 2015		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	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.

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 Coproration	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.

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.
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.

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	Subsidiaries
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.
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