

**HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2016 AND 2015**

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2016 AND 2015
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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

To the Board of Directors and Shareholders of
Ho Tai Motor Company Limited

We have reviewed the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015 as well as the consolidated statements of changes in equity, and of cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Notes 4(3) and 6(7), the accompanying consolidated financial statements include certain insignificant subsidiaries and investments accounted for using the equity method, whose statements reflect total assets amounted to NT\$45,309,851 thousand and NT\$44,513,419 thousand, constituting 26% and 27% of the consolidated total assets, and total liabilities of NT\$13,941,977 thousand and NT\$15,708,503 thousand, constituting 11% and 13% of the consolidated total liabilities as of June 30, 2016 and 2015, respectively, and comprehensive income of NT\$1,362,730 thousand, NT\$982,404 thousand, NT\$2,538,690 thousand and NT\$2,201,461 thousand, constituting 42%, 35%, 41% and 37% of the consolidated comprehensive income for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively. These amounts and the information disclosed in Note 13 were based on the unreviewed financial statements of these companies as of June 30, 2016 and 2015.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, investments accounted for under the equity method and the information disclosed in Note 13 been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, and International Accounting Standard 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

August 11, 2016

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

	Assets	Notes	June 30, 2016		December 31, 2015		June 30, 2015	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 10,708,396	6	\$ 10,406,462	7	\$ 9,831,889	6
1110	Financial assets at fair value through profit or loss	6(2)	4,156,886	2	3,805,448	2	2,791,128	2
1135	Derivative financial assets for hedging	6(4)	333,826	-	304,772	-	131,758	-
1150	Notes receivable, net	6(5) and 8	10,667,345	6	9,515,166	6	9,688,631	6
1160	Notes receivable - related parties, net	6(5) and 7	8,604	-	43,958	-	2,682	-
1170	Accounts receivable, net	6(5) and 8	76,068,318	44	72,202,377	44	69,666,209	43
1180	Accounts receivable - related parties, net	6(5) and 7	2,621,302	2	1,963,769	1	3,938,653	2
1200	Other receivables	7	1,437,078	1	1,436,765	1	1,425,950	1
130X	Inventories	6(6)	7,533,555	4	5,962,436	4	6,157,027	4
1410	Prepayments		5,916,376	4	4,918,793	3	3,768,004	2
1470	Other current assets	8	119,549	-	99,071	-	117,627	-
11XX	Total current assets		<u>119,571,235</u>	<u>69</u>	<u>110,659,017</u>	<u>68</u>	<u>107,519,558</u>	<u>66</u>
Non-current assets								
1523	Available-for-sale financial assets	6(3)	855,906	-	829,558	-	948,124	1
1550	Investments accounted for using equity method	6(7)	15,153,152	9	13,839,712	8	14,600,855	9
1600	Property, plant and equipment	6(8) and 8	34,485,225	20	35,464,467	22	36,556,139	22
1760	Investment property, net	6(9)	869,049	-	796,718	-	484,335	-
1780	Intangible assets		-	-	-	-	297	-
1840	Deferred income tax assets		967,514	1	979,376	1	1,036,767	1
1900	Other non-current assets	8	1,069,962	1	1,063,466	1	1,635,475	1
15XX	Total non-current assets		<u>53,400,808</u>	<u>31</u>	<u>52,973,297</u>	<u>32</u>	<u>55,261,992</u>	<u>34</u>
1XXX	Total assets		<u>\$ 172,972,043</u>	<u>100</u>	<u>\$ 163,632,314</u>	<u>100</u>	<u>\$ 162,781,550</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

	Liabilities and equity	Notes	June 30, 2016		December 31, 2015		June 30, 2015	
			Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(10)	\$ 31,373,739	18	\$ 35,991,935	22	\$ 37,183,063	23
2110	Short-term notes and bills payable	6(11)	49,427,751	29	42,713,916	26	34,118,673	21
2120	Financial liabilities at fair value through profit or loss	6(2)	25,054	-	-	-	-	-
2125	Derivative financial liabilities for hedging	6(4)	51,832	-	16,924	-	268,343	-
2150	Notes payable		115,195	-	125,782	-	73,193	-
2170	Accounts payable		2,774,608	2	2,969,924	2	2,457,577	1
2180	Accounts payable - related parties	7	5,890,801	3	3,986,085	2	5,705,938	4
2200	Other payables	6(14) and 7	10,642,619	6	4,057,771	2	11,017,882	7
2230	Current income tax liabilities		1,353,846	1	1,299,820	1	1,385,686	1
2250	Provisions	6(16)	1,306,837	1	1,320,472	1	1,216,923	1
2300	Other current liabilities	6(12)(13)	5,428,028	3	6,145,484	4	4,729,640	3
21XX	Total current liabilities		<u>108,390,310</u>	<u>63</u>	<u>98,628,113</u>	<u>60</u>	<u>98,156,918</u>	<u>61</u>
	Non-current liabilities							
2540	Long-term loans	6(13)	4,615,289	3	5,046,822	3	9,245,864	5
2550	Provisions	6(16)	1,097,364	1	1,056,213	1	1,158,821	1
2570	Deferred income tax liabilities		1,837,741	1	1,860,088	1	1,854,742	1
2600	Other non-current liabilities	6(17)	11,242,164	6	11,264,116	7	10,984,190	7
25XX	Total non-current liabilities		<u>18,792,558</u>	<u>11</u>	<u>19,227,239</u>	<u>12</u>	<u>23,243,617</u>	<u>14</u>
2XXX	Total liabilities		<u>127,182,868</u>	<u>74</u>	<u>117,855,352</u>	<u>72</u>	<u>121,400,535</u>	<u>75</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(18)						
3110	Common stock		5,461,792	3	5,461,792	3	5,461,792	3
	Capital surplus	6(19)						
3200	Capital surplus		263,060	-	263,060	-	263,060	-
	Retained earnings	6(20)						
3310	Legal reserve		8,262,717	5	7,285,058	5	7,285,058	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3350	Unappropriated earnings		22,957,057	13	24,863,218	15	20,633,670	13
	Other equity							
3400	Other equity interest		987,918	1	1,109,168	1	1,086,450	1
31XX	Total equity attributable to shareholders of the parent		<u>38,314,387</u>	<u>22</u>	<u>39,364,139</u>	<u>24</u>	<u>35,111,873</u>	<u>21</u>
36XX	Non-controlling interest		<u>7,474,788</u>	<u>4</u>	<u>6,412,823</u>	<u>4</u>	<u>6,269,142</u>	<u>4</u>
3XXX	Total equity		<u>45,789,175</u>	<u>26</u>	<u>45,776,962</u>	<u>28</u>	<u>41,381,015</u>	<u>25</u>
	Commitments and contingent liabilities	9						
3X2X	Total liabilities and equity		<u>\$ 172,972,043</u>	<u>100</u>	<u>\$ 163,632,314</u>	<u>100</u>	<u>\$ 162,781,550</u>	<u>100</u>

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

See review report of independent accountants dated August 11, 2016.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)
(Reviewed, Not Audited)

Items	Notes	Three months ended June 30,				Six months ended June 30,			
		2016		2015		2016		2015	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6(21) and 7	\$ 47,293,693	100	\$ 42,034,410	100	\$ 87,470,607	100	\$ 85,510,674	100
5000 Operating costs	6(6)(22)(25) and 7	(41,265,183)	(87)	(36,340,629)	(87)	(75,956,558)	(87)	(74,065,800)	(87)
5900 Gross profit before realized (unrealized) gross profit on sales to associates		6,028,510	13	5,693,781	13	11,514,049	13	11,444,874	13
5910 Unrealized profit from sales		(70,193)	-	(39,620)	-	(66,179)	-	(83,714)	-
5920 Realized profit from sales		49,409	-	21,542	-	49,409	-	21,542	-
5950 Gross profit		6,007,726	13	5,675,703	13	11,497,279	13	11,382,702	13
Operating expenses	6(25)(26)								
6100 Selling expenses		(2,130,238)	(5)	(2,052,512)	(5)	(4,132,280)	(5)	(3,865,346)	(5)
6200 General and administrative expenses		(1,083,797)	(2)	(868,357)	(2)	(2,130,507)	(2)	(1,842,039)	(2)
6000 Total operating expenses		(3,214,035)	(7)	(2,920,869)	(7)	(6,262,787)	(7)	(5,707,385)	(7)
6900 Operating profit		2,793,691	6	2,754,834	6	5,234,492	6	5,675,317	6
Non-operating income and expenses									
7010 Other income	6(23) and 7	485,354	1	209,465	-	895,507	1	612,301	1
7020 Other gains and losses	6(24)	58,478	-	70,017	-	(29,836)	-	29,771	-
7050 Finance costs	7	(11,830)	-	(14,436)	-	(24,297)	-	(32,589)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	818,658	2	672,234	2	1,554,671	2	1,263,776	1
7000 Total non-operating income and expenses		1,350,660	3	937,280	2	2,396,045	3	1,873,259	2
7900 Profit before income tax		4,144,351	9	3,692,114	8	7,630,537	9	7,548,576	8
7950 Income tax expense	6(27)	(838,262)	(2)	(889,338)	(1)	(1,342,965)	(2)	(1,483,089)	(1)
8200 Profit for the period		\$ 3,306,089	7	\$ 2,802,776	7	\$ 6,287,572	7	\$ 6,065,487	7

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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)
(Reviewed, Not Audited)

Items	Notes	Three months ended June 30,				Six months ended June 30,			
		2016		2015		2016		2015	
		Amount	%	Amount	%	Amount	%	Amount	%
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361		(\$ 79,135)	-	(\$ 60,960)	-	(\$ 168,774)	-	(\$ 105,196)	-
8362	6(3)	23,147	-	31,841	-	49,339	-	61,428	-
8363	6(4)	(1,788)	-	8,663	-	(3,807)	-	27,542	-
8370									
		(31,447)	-	(7,242)	-	(20,622)	-	(12,491)	-
8399									
	6(27)	303	-	(1,473)	-	647	-	(4,682)	-
8360									
		(88,920)	-	(29,171)	-	(143,217)	-	(33,399)	-
8300		(\$ 88,920)	-	(\$ 29,171)	-	(\$ 143,217)	-	(\$ 33,399)	-
8500		<u>\$ 3,217,169</u>	<u>7</u>	<u>\$ 2,773,605</u>	<u>7</u>	<u>\$ 6,144,355</u>	<u>7</u>	<u>\$ 6,032,088</u>	<u>7</u>
Profit attributable to:									
8610		\$ 2,951,691	6	\$ 2,525,011	6	\$ 5,630,676	6	\$ 5,482,458	6
8620		354,398	1	277,765	1	656,896	1	583,029	1
		<u>\$ 3,306,089</u>	<u>7</u>	<u>\$ 2,802,776</u>	<u>7</u>	<u>\$ 6,287,572</u>	<u>7</u>	<u>\$ 6,065,487</u>	<u>7</u>
Comprehensive income attributable to:									
8710		\$ 2,873,785	6	\$ 2,501,518	6	\$ 5,509,426	6	\$ 5,454,057	6
8720		343,384	1	272,087	1	634,929	1	578,031	1
		<u>\$ 3,217,169</u>	<u>7</u>	<u>\$ 2,773,605</u>	<u>7</u>	<u>\$ 6,144,355</u>	<u>7</u>	<u>\$ 6,032,088</u>	<u>7</u>
Earnings per share (in dollars)									
9750	6(28)		5.40		4.62		10.31		10.04
9850			5.40		4.62		10.30		10.03

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

See review report of independent accountants dated August 11, 2016.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity attributable to shareholders of the parent											
	Notes	Share capital- common stock	Capital surplus - additional paid-in capital	Retained earnings			Other equity			Total	Non- controlling interest	Total equity
				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			
2015												
Balance at January 1, 2015		\$ 5,461,792	\$ 263,060	\$ 6,365,384	\$ 381,843	\$ 21,805,767	\$ 390,270	\$ 734,523	(\$ 9,942)	\$ 35,392,697	\$ 5,691,111	\$ 41,083,808
Appropriation and distribution of retained earnings:												
Legal reserve	6(20)	-	-	919,674	-	(919,674)	-	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(5,734,881)	-	-	-	(5,734,881)	-	(5,734,881)
Profit for the period		-	-	-	-	5,482,458	-	-	-	5,482,458	583,029	6,065,487
Other comprehensive income (loss) for the period		-	-	-	-	-	(104,924)	61,428	15,095	(28,401)	(4,998)	(33,399)
Balance at June 30, 2015		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 7,285,058</u>	<u>\$ 381,843</u>	<u>\$ 20,633,670</u>	<u>\$ 285,346</u>	<u>\$ 795,951</u>	<u>\$ 5,153</u>	<u>\$ 35,111,873</u>	<u>\$ 6,269,142</u>	<u>\$ 41,381,015</u>
2016												
Balance at January 1, 2016		\$ 5,461,792	\$ 263,060	\$ 7,285,058	\$ 381,843	\$ 24,863,218	\$ 372,709	\$ 738,780	(\$ 2,321)	\$ 39,364,139	\$ 6,412,823	\$ 45,776,962
Appropriation and distribution of retained earnings:												
Legal reserve	6(20)	-	-	977,659	-	(977,659)	-	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(6,554,150)	-	-	-	(6,554,150)	-	(6,554,150)
Profit for the period		-	-	-	-	5,630,676	-	-	-	5,630,676	656,896	6,287,572
Other comprehensive income (loss) for the period		-	-	-	-	-	(167,224)	48,061	(2,087)	(121,250)	(21,967)	(143,217)
Changes in ownership interests in subsidiaries		-	-	-	-	(5,028)	-	-	-	(5,028)	-	(5,028)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	427,036	427,036
Balance at June 30, 2016		<u>\$ 5,461,792</u>	<u>\$ 263,060</u>	<u>\$ 8,262,717</u>	<u>\$ 381,843</u>	<u>\$ 22,957,057</u>	<u>\$ 205,485</u>	<u>\$ 786,841</u>	<u>(\$ 4,408)</u>	<u>\$ 38,314,387</u>	<u>\$ 7,474,788</u>	<u>\$ 45,789,175</u>

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

See review report of independent accountants dated August 11, 2016.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Notes	2016	2015
<u>Cash flows from operating activities</u>			
Consolidated profit before income tax		\$ 7,630,537	\$ 7,548,576
Adjustment to reconcile net profit to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss on financial assets and liabilities at fair value through profit or loss	6(24)	73,540	77,771
Bad debts expense and financial guarantee expense		538,491	329,137
Depreciation	6(8)(9)(25)	4,297,857	4,478,845
Amortization	6(25)	8,817	9,251
Reversal of loss on rental assets	6(8)	(4,696)	(14,725)
Net gain on disposal of property, plant and equipment	6(24)	(3,925)	(2,721)
Share of profit of associates accounted for using equity method	6(7)	(1,554,671)	(1,263,776)
Interest expense		756,628	810,270
Interest income	6(23)	(1,800,183)	(1,620,458)
Unrealized profit from sales		66,179	83,714
Realized profit from sales		(49,409)	(21,542)
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		(399,924)	260,343
Notes and accounts receivable		(6,178,790)	(9,632,090)
Inventories		1,039,275	1,394,717
Prepayments		(1,002,712)	(356,813)
Other receivables		(12,670)	98,104
Other current assets		(20,478)	6,675
Net changes in liabilities relating to operating activities			
Notes and accounts payable		1,698,813	4,319,943
Other payables		11,313	158,817
Other current liabilities		(31,431)	82
Other non-current liabilities		19,158	491,974
Cash generated from operations		5,081,719	7,156,094
Cash dividends received		203,839	210,360
Interest paid		(732,114)	(808,605)
Income taxes paid		(1,299,424)	(1,089,493)
Interest received		1,812,540	1,614,282
Net cash provided by operating activities		<u>5,066,560</u>	<u>7,082,638</u>
<u>Cash flows from investing activities</u>			
Proceeds from capital reduction of available-for-sale financial assets		\$ 23,032	\$ -
Acquisition of property, plant and equipment	6(8)	(6,175,761)	(6,667,400)
Proceeds from disposal of property, plant and equipment		20,688	51,290
Decrease (increase) in other assets - others		5,219	(287,506)
Acquisition of investment property	6(9)	(2,166)	-
Net cash used in investing activities		<u>(6,128,988)</u>	<u>(6,903,616)</u>
<u>Cash flows from financing activities</u>			
Decrease in short-term loans		(4,615,502)	(2,016,806)
Increase in short-term notes and bills payable		6,713,835	3,188,334
Proceeds from long-term loans		770,790	1,801,954
Repayment of long-term loans		(1,901,983)	(650,000)
Changes in non-controlling interests		422,008	-
Net cash provided by financing activities		<u>1,389,148</u>	<u>2,323,482</u>
Net effect of changes in foreign currency exchange rates		(24,786)	40,822
Increase in cash and cash equivalents		301,934	2,543,326
Cash and cash equivalents at beginning of period		10,406,462	7,288,563
Cash and cash equivalents at end of period		<u>\$ 10,708,396</u>	<u>\$ 9,831,889</u>

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

See review report of independent accountants dated August 11, 2016.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)
(Reviewed, Not Audited)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were reported to the Board of Directors and issued on August 11, 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”)

None.

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

New and revised standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

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

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

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

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

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

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

New and revised standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

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

<u>New and Revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendment to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendment to IAS 12)	January 1, 2017

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

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

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

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

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

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 7, 'Disclosure initiative'

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

Except for the above impact, the Group is assessing the potential impact of amendments to other standards and interpretations on financial position and performance. The impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standards 34, “Interim financial reporting” as endorsed by the FSC.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with 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 Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

- (f) For the subsidiaries included in the consolidated financial statements as of June 30, 2016 and 2015, except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd. which were evaluated and disclosed in accordance with their reviewed financial statements, other insignificant subsidiaries were evaluated and disclosed in accordance with their unreviewed financial statements.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Reinvestment in Mainland China, trading and repairing of vehicles and their parts	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Reinvestment company	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	50.23	50.23	Note 5
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	-	Note 1 Note 2
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	Reinvestment in Mainland China, trading and repairing of vehicles and their parts	70.00	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	-	-	100.00	Note 4

<u>Investor</u>	<u>Investee</u>	<u>Main business activities</u>	<u>Ownership (%)</u>			<u>Note</u>
			<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	-	100.00	100.00	Note 6
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	-	-	100.00	Note 3
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	-	100.00	100.00	Note 6
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	-	-	100.00	Note 4
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hoton Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	100.00	100.00	100.00	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hoton Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hoton Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	-	Note 4
Hoton Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	-	Note 4
Hoton Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	-	Note 6
Hoton Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	100.00	-	-	Note 6
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co.,Ltd.	Designing and manufacturing of various kinds of advertisements	100.00	-	-	Note 7
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1

<u>Investor</u>	<u>Investee</u>	<u>Main business activities</u>	<u>Ownership (%)</u>			<u>Note</u>
			<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>	
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of light passenger vehicles	66.04	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	66.03	66.03	66.03	
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Trading of used vehicles	51.00	51.00	51.00	
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	Trading of used vehicles	31.00	31.00	31.00	Note 1
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	Trading of used vehicles	51.00	51.00	51.00	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	-	Note 3
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	-	Note 2
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	

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

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

Note 3: The share ownership was sold to the subsidiary, Toyota Material Handling Taiwan Ltd., in the third quarter of 2015 due to the reorganization of entities in China.

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

Note 5: Ho Tai Development Co., Ltd. increased its capital in the first quarter of 2016. The Company did not participate in the capital increase by cash. As of June 30, 2016, the Company held 45.01% of the total issued shares of Ho Tai Development Co., Ltd. and held more than half of board seats of Ho Tai Development Co., Ltd., thus, the subsidiary was included in the consolidated financial statements.

Note 6: The share ownership was transferred to the subsidiary, Hoton Motor Investment Co., Ltd., in the first quarter of 2016 due to the reorganization of the entities in China.

Note 7: The investee was newly established in the second quarter of 2016.

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

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

E. Significant restrictions: None.

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

As of June 30, 2016, December 31, 2015 and June 30, 2015, the non-controlling interest amounted to \$7,474,788, \$6,412,823 and \$6,269,142, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>			
		<u>June 30, 2016</u>		<u>December 31, 2015</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 2,816,914	33.967%	\$ 2,908,779	33.967%
Hotai Leasing Co., Ltd.	Taiwan	930,857	33.958%	902,740	33.958%

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>	
		<u>June 30, 2015</u>	
		<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 2,530,239	33.967%
Hotai Leasing Co., Ltd.	Taiwan	909,946	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Hotai Finance Co., Ltd.</u>		
	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Current assets	\$ 86,784,628	\$ 84,459,477	\$ 79,672,172
Non-current assets	3,689,534	4,431,308	4,920,592
Current liabilities	(75,920,943)	(74,734,890)	(66,474,032)
Non-current liabilities	(5,771,737)	(5,592,351)	(9,812,862)
Total net assets	<u>\$ 8,781,482</u>	<u>\$ 8,563,544</u>	<u>\$ 8,305,870</u>

Hotai Leasing Co., Ltd.			
	June 30, 2016	December 31, 2015	June 30, 2015
Current assets	\$ 1,950,991	\$ 1,899,739	\$ 2,090,608
Non-current assets	23,744,888	23,900,457	24,107,360
Current liabilities	(11,838,711)	(11,410,884)	(11,092,715)
Non-current liabilities	(11,115,966)	(11,730,910)	(12,425,630)
Total net assets	<u>\$ 2,741,202</u>	<u>\$ 2,658,402</u>	<u>\$ 2,679,623</u>

Statements of comprehensive income

Hotai Finance Co., Ltd.		
Three months ended June 30,		
	2016	2015
Revenue	\$ 3,115,569	\$ 3,085,838
Profit before income tax	410,296	403,614
Income tax expense	(100,067)	(120,075)
Profit for the period	<u>310,229</u>	<u>283,539</u>
Other comprehensive income (loss) for the period, net of tax	(34,997)	(11,058)
Total comprehensive income for the period	<u>\$ 275,232</u>	<u>\$ 272,481</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 11,268</u>	<u>\$ 9,708</u>

Hotai Finance Co., Ltd.		
Six months ended June 30,		
	2016	2015
Revenue	\$ 6,178,002	\$ 6,111,452
Profit before income tax	812,156	823,761
Income tax expense	(174,863)	(206,318)
Profit for the period	<u>637,293</u>	<u>617,443</u>
Other comprehensive income (loss) for the period, net of tax	(58,262)	(9,867)
Total comprehensive income for the period	<u>\$ 579,031</u>	<u>\$ 607,576</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 18,081</u>	<u>\$ 21,775</u>

Hotai Leasing Co., Ltd.		
Three months ended June 30,		
	2016	2015
Revenue	\$ 3,895,362	\$ 3,776,462
Profit before income tax	122,006	143,754
Income tax expense	(34,519)	(41,005)
Profit for the period	<u>87,487</u>	<u>102,749</u>
Other comprehensive income (loss) for the period, net of tax	(16,520)	(9,173)
Total comprehensive income for the period	<u>\$ 70,967</u>	<u>\$ 93,576</u>

<u>Hotai Leasing Co., Ltd.</u>		
<u>Six months ended June 30,</u>		
	<u>2016</u>	<u>2015</u>
Revenue	\$ 7,895,567	\$ 7,506,818
Profit before income tax	271,742	304,852
Income tax expense	(65,003)	(70,009)
Profit for the period	<u>206,739</u>	<u>234,843</u>
Other comprehensive income (loss) for the period, net of tax	(26,816)	(16,898)
Total comprehensive income for the period	<u>\$ 179,923</u>	<u>\$ 217,945</u>

Statements of cash flows

<u>Hotai Finance Co., Ltd.</u>		
<u>Six months ended June 30,</u>		
	<u>2016</u>	<u>2015</u>
Net cash used in operating activities	(\$ 1,252,473)	(\$ 3,771,919)
Net cash (used in) provided by investing activities	(355,496)	315,273
Net cash provided by financing activities	1,700,360	3,152,618
Net effect of changes in foreign currency exchange rates	(55,671)	(34,379)
Increase (decrease) in cash and cash equivalents	36,720	(338,407)
Cash and cash equivalents, beginning of period	<u>521,686</u>	<u>1,217,651</u>
Cash and cash equivalents, end of period	<u>\$ 558,406</u>	<u>\$ 879,244</u>

<u>Hotai Leasing Co., Ltd.</u>		
<u>Six months ended June 30,</u>		
	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities	\$ 5,995,259	\$ 5,699,149
Net cash used in investing activities	(5,482,423)	(5,993,013)
Net cash (used in) provided by financing activities	(527,388)	366,992
(Decrease) increase in cash and cash equivalents	(14,552)	73,128
Cash and cash equivalents, beginning of period	<u>256,199</u>	<u>231,394</u>
Cash and cash equivalents, end of period	<u>\$ 241,647</u>	<u>\$ 304,522</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

comprehensive income as qualifying cash flow hedges.

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

B. Translation of foreign operations

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

(5) Classification of current and non-current items

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

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

(6) Cash equivalents

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

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

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

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

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

(8) Available-for-sale financial assets

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

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

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

the fair value of these financial assets are recognized in other comprehensive income.

(9) Loans and receivables

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

(10) Impairment of financial assets

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

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

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

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

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be

related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

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

(11) Derecognition of financial assets

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

(12) Lease receivables/ operating leases (lessor)

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

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

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

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

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

are accounted for using the equity method and are initially recognized at cost.

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

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant in relation to the total cost of

the item, it must be depreciated separately.

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

Buildings	5 ~ 50 years
Utility equipment	3 ~ 10 years
Office equipment	3 ~ 20 years
Machinery and equipment	2 ~ 15 years
Rental assets	2 ~ 15 years
Leasehold improvements	3 ~ 15 years

(16) Operating leases (lessee)

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

(17) Investment property

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

(18) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

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

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

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

(23) Derecognition of financial liabilities

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

(24) Bonds payable

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

(25) Financial guarantee contracts

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

(26) Derivative financial instruments and hedging activities

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

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

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

D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or

liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

E. Cash flow hedge

- (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within 'other gains and losses'.
- (b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of comprehensive income within 'finance costs'.
- (c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(27) Provisions

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

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

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

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

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

(29) Income tax

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

information is disclosed accordingly.

(30) Share capital

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

(31) Dividends

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

(32) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

C. A sale agreement comprising of multiple components

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

(33) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Provisions for warranty

To provide vehicle owners more complete after-sales service and dependable quality, the Company not only offers a three-year/100,000-kilometer basic warranty coverage, but also a fourth year/20,000-kilometer extra warranty for all vehicles in the Toyota and Lexus line-up. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is

revaluated on a regular basis. Please refer to Note 6(16) “Provisions” for more information.

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Cash on hand and revolving funds	\$ 15,446	\$ 16,671	\$ 15,950
Checking accounts and demand deposits	4,891,472	3,098,122	3,663,788
Cash equivalents			
Time deposits	668,088	436,791	1,330,530
Short-term notes and bills	<u>5,133,390</u>	<u>6,854,878</u>	<u>4,821,621</u>
	<u>\$ 10,708,396</u>	<u>\$ 10,406,462</u>	<u>\$ 9,831,889</u>

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

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Current items:			
Financial assets held for trading			
Domestic open-ended quasi money market fund	\$ 4,141,114	\$ 3,741,190	\$ 2,736,062
Non-hedging derivative instruments	-	54,417	46,219
Valuation adjustment	<u>15,772</u>	<u>9,841</u>	<u>8,847</u>
	<u>\$ 4,156,886</u>	<u>\$ 3,805,448</u>	<u>\$ 2,791,128</u>
Financial liabilities held for trading			
Non-hedging derivative instruments	(\$ 25,054)	\$ -	\$ -

A. The Group recognized net gain (loss) of \$138,478, \$90,450, (\$72,183) and (\$73,669) on financial assets held for trading for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

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

<u>Derivative instruments</u>	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
	Contract amount (Notional principal) (in thousands)	Contract period	Contract amount (Notional principal) (in thousands)	Contract period
Current items:				
Forward foreign exchange contracts	USD 169,200	2016.4.19~ 2016.10.14	USD 176,790	2015.10.20 ~2016.3.14

<u>Derivative instruments</u>	<u>June 30, 2015</u>	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 198,580	2015.4.9~ 2015.9.14

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

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

(3) Available-for-sale financial assets

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Non-current items:			
Listed stocks and unlisted stocks	\$ 338,373	\$ 361,382	\$ 327,360
Valuation adjustment of available-for-sale financial assets	517,533	468,176	620,764
	<u>\$ 855,906</u>	<u>\$ 829,558</u>	<u>\$ 948,124</u>

The Group recognized gain of \$23,147, \$31,841, \$49,339 and \$61,428 in other comprehensive income for fair value change for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

(4) Hedge accounting

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Current items:			
Derivative financial assets for hedging - current			
Interest rate swaps-cash flow hedges	\$ -	\$ -	\$ 27
Cross currency swaps-cash flow hedges	<u>333,826</u>	<u>304,772</u>	<u>131,731</u>
	<u>\$ 333,826</u>	<u>\$ 304,772</u>	<u>\$ 131,758</u>
Derivative financial liabilities for hedging - current			
Interest rate swaps-cash flow hedges	(\$ 482)	(\$ 763)	(\$ 877)
Cross currency swaps-cash flow hedges	<u>(51,350)</u>	<u>(16,161)</u>	<u>(267,466)</u>
	<u>(\$ 51,832)</u>	<u>(\$ 16,924)</u>	<u>(\$ 268,343)</u>

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

B. Cash flow hedges

<u>Hedged items</u>	<u>Designated as hedging instruments</u> Derivative instruments designated as hedges	<u>Fair value</u>	<u>Period of anticipated cash flow</u>	<u>Period of gain (loss) expected to be recognized in profit or loss</u>
		<u>June 30, 2016</u>		
Long-term and short-term loans	Interest rate swaps	(\$ <u>482</u>)	2013.11~2016.11	2013~2016
Short-term loans	Cross currency swaps	\$ <u>282,476</u>	2013.12~2018.9	2013~2018

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

<u>Hedged items</u>	<u>Designated as hedging instruments</u> Derivative instruments designated as hedges	<u>Fair value</u>	<u>Period of anticipated cash flow</u>	<u>Period of gain (loss) expected to be recognized in profit or loss</u>
		<u>June 30, 2015</u>		
Long-term and short-term loans	Interest rate swaps	(\$ 850)	2012.5~2016.11	2012~2016
Short-term loans	Cross currency swaps	(\$ 135,735)	2012.8~2018.4	2012~2018

- (a) The Group is exposed to cash flow risk of floating-rate liabilities assumed arising from variations in the market interest rates. The Group assessed that the risk might be significant, and therefore entered into interest rate swap contracts to hedge such risk.
- (b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in other comprehensive income as of June 30, 2016 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.
- (c) As of June 30, 2016, December 31, 2015 and June 30, 2015, the fixed interest rates on interest rate swaps ranged between 1.0% ~ 1.085%, 0.993% ~ 1.085%, and 0.893% ~ 1.085%, respectively, and the main floating rates were TWCP 90 days and Libor/Tibor six months as of June 30, 2016.
- (d) Information about gain or loss arising from cash flow hedges recognized in profit or loss and other comprehensive income:

<u>Items</u>	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Amount of gain or loss adjusted in other comprehensive income	(\$ 3,807)	\$ 27,542
Amount of gain or loss transferred from other comprehensive income to profit or loss	(1,636)	5,227

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Notes receivable	\$ 1,664,842	\$ 1,177,701	\$ 2,012,736
Installment notes receivable	8,492,583	7,826,030	7,095,030
Accounts receivable	5,994,987	4,351,045	7,012,802
Installment accounts receivable	73,303,251	70,066,242	65,820,314
Lease payments and notes receivable	8,215,843	7,936,835	8,329,279
	<u>97,671,506</u>	<u>91,357,853</u>	<u>90,270,161</u>
Less: Unrealized interest income	(7,090,060)	(6,464,069)	(5,751,630)
Allowance for doubtful accounts	(1,215,877)	(1,168,514)	(1,222,356)
Notes and accounts receivable, net	<u>\$ 89,365,569</u>	<u>\$ 83,725,270</u>	<u>\$ 83,296,175</u>

As of June 30, 2016, December 31, 2015 and June 30, 2015, the subsidiary – Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$7,465,176, \$7,279,574 and \$6,750,530, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to \$1,632,646, \$1,826,309 and \$1,680,037 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

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

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Up to 12 months	\$ 35,464,942	\$ 34,676,808	\$ 34,005,844
Over 12 months	<u>46,330,892</u>	<u>43,215,464</u>	<u>38,909,500</u>
	<u>\$ 81,795,834</u>	<u>\$ 77,892,272</u>	<u>\$ 72,915,344</u>

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

(a) As of June 30, 2016, December 31, 2015 and June 30, 2015, a portion of the Group's accounts receivable that were past due had been impaired amounted to \$1,718,667, \$1,629,078 and \$1,527,822, respectively.

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

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
At January 1	\$ 1,168,514	\$ 1,130,809
Provisions during the period	463,598	269,187
Write-offs during the period	(411,848)	(177,327)
Others	(4,387)	(313)
At June 30	<u>\$ 1,215,877</u>	<u>\$ 1,222,356</u>

D. The Group leases office machines and vehicles to others under finance lease. Based on the terms of the lease contracts, the ownership of these assets shall be transferred to the lessees when the leases expire. The gross investments in those leases and present value of total minimum lease payments receivable as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

	<u>June 30, 2016</u>		
	<u>Total lease payments receivable</u>	<u>Unearned finance income</u>	<u>Net lease payments receivable</u>
Not later than one year	\$ 6,103,041	(\$ 664,570)	\$ 5,438,471
Later than one year but not later than five years	2,112,478	(465,769)	1,646,709
Over five years	<u>324</u>	<u>(7)</u>	<u>317</u>
	<u>\$ 8,215,843</u>	<u>(\$ 1,130,346)</u>	<u>\$ 7,085,497</u>

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

	June 30, 2015		
	Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	\$ 5,582,378	(\$ 852,489)	\$ 4,729,889
Later than one year but not later than five years	2,746,893	(118,443)	2,628,450
Over five years	8	-	8
	<u>\$ 8,329,279</u>	<u>(\$ 970,932)</u>	<u>\$ 7,358,347</u>

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

(6) Inventories

	June 30, 2016		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 3,847,211	(\$ 70,665)	\$ 3,776,546
Air conditioner and parts	2,817,596	(233,787)	2,583,809
Other goods	135,485	(4,646)	130,839
Inventory in transit	1,042,361	-	1,042,361
	<u>\$ 7,842,653</u>	<u>(\$ 309,098)</u>	<u>\$ 7,533,555</u>

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

	June 30, 2015		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 3,342,014	(\$ 66,785)	\$ 3,275,229
Air conditioner and parts	2,113,633	(221,795)	1,891,838
Other goods	128,916	(2,110)	126,806
Inventory in transit	<u>863,154</u>	<u>-</u>	<u>863,154</u>
	<u>\$ 6,447,717</u>	<u>(\$ 290,690)</u>	<u>\$ 6,157,027</u>

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

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

	Three months ended June 30,	
	2016	2015
Cost of goods sold	\$ 38,269,178	\$ 33,179,864
Loss on (gain on reversal of) market value decline of inventories	<u>7,911</u>	<u>(7,855)</u>
	<u>\$ 38,277,089</u>	<u>\$ 33,172,009</u>
	Six months ended June 30,	
	2016	2015
Cost of goods sold	\$ 69,871,371	\$ 67,773,625
Loss on (gain on reversal of) market value decline of inventories	<u>14,412</u>	<u>(17,552)</u>
	<u>\$ 69,885,783</u>	<u>\$ 67,756,073</u>

The gain on reversal of inventory write-down for the three months ended June 30, 2015 and 2016 and six months ended June 30, 2015 was caused by continuous selling of inventories that were previously written-down for inventory valuation and obsolescence loss.

(7) Investments accounted for using equity method

	June 30, 2016	December 31, 2015	June 30, 2015
Kuozui Motors, Ltd.	\$ 6,024,237	\$ 4,822,743	\$ 5,649,531
Central Motor Co., Ltd.	2,354,873	2,338,547	2,212,999
Tau Miau Motor Co., Ltd.	1,342,373	1,342,355	1,325,943
Kau Du Automobile Co., Ltd.	1,290,006	1,287,020	1,266,933
Taipei Toyota Motor Co., Ltd.	912,451	848,972	914,553
Kuotu Motor Co., Ltd.	894,297	843,038	829,692
Nan Du Motor Co., Ltd.	819,389	805,807	845,278
Lang Yang Toyota Motor Co., Ltd.	276,490	276,321	271,946
Formosa Flexible Packaging Corp.	262,187	259,852	262,522
Shi-Ho Screw Industrial Co., Ltd.	130,356	134,188	128,948
Yokohama Tire Taiwan Co., Ltd.	<u>846,493</u>	<u>880,869</u>	<u>892,510</u>
	<u>\$ 15,153,152</u>	<u>\$ 13,839,712</u>	<u>\$ 14,600,855</u>

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

As of June 30, 2016, December 31, 2015 and June 30, 2015, the carrying amount of the Group's individually immaterial associates amounted to \$15,153,152, \$13,839,712 and \$14,600,855, respectively.

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive income for the period	<u>\$ 2,936,335</u>	<u>\$ 2,382,386</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive income for the period	<u>\$ 5,620,371</u>	<u>\$ 4,570,557</u>

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to \$818,658, \$672,234, \$1,554,671 and \$1,263,776 for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively, and were valued based on the investees' financial statements that were not reviewed by the independent accountants.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Machinery and equipment</u>	<u>Rental assets (Note)</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2016</u>									
Cost	\$ 3,974,400	\$ 3,979,981	\$ 135,242	\$ 1,167,290	\$ 378,135	\$ 41,501,391	\$ 544,608	\$ 83,799	\$ 51,764,846
Revaluation gain	1,371,933	12,080	-	-	-	-	-	-	1,384,013
Accumulated depreciation and impairment	(26,850)	(1,427,068)	(131,892)	(778,020)	(206,568)	(14,804,022)	(309,972)	-	(17,684,392)
	<u>\$ 5,319,483</u>	<u>\$ 2,564,993</u>	<u>\$ 3,350</u>	<u>\$ 389,270</u>	<u>\$ 171,567</u>	<u>\$ 26,697,369</u>	<u>\$ 234,636</u>	<u>\$ 83,799</u>	<u>\$ 35,464,467</u>
<u>2016</u>									
Opening net book amount	\$ 5,319,483	\$ 2,564,993	\$ 3,350	\$ 389,270	\$ 171,567	\$ 26,697,369	\$ 234,636	\$ 83,799	\$ 35,464,467
Additions	-	35,230	-	65,849	10,963	5,906,565	18,675	138,479	6,175,761
Disposals	-	-	-	(8,738)	(392)	(2,610,394)	(7,633)	-	(2,627,157)
Reclassifications	(64,813)	(4,914)	-	1,056	(32,274)	33,574	3,343	(31,027)	(95,055)
Depreciation	-	(74,118)	(338)	(62,160)	(14,948)	(4,111,334)	(30,601)	-	(4,293,499)
Reversal of provision for loss on rental assets	-	-	-	-	-	4,696	-	-	4,696
Net exchange differences	-	(30,795)	(9)	(7,191)	(2,001)	(103,602)	(390)	-	(143,988)
Closing net book amount	<u>\$ 5,254,670</u>	<u>\$ 2,490,396</u>	<u>\$ 3,003</u>	<u>\$ 378,086</u>	<u>\$ 132,915</u>	<u>\$ 25,816,874</u>	<u>\$ 218,030</u>	<u>\$ 191,251</u>	<u>\$ 34,485,225</u>
<u>At June 30, 2016</u>									
Cost	\$ 3,935,553	\$ 3,959,373	\$ 135,155	\$ 1,170,010	\$ 337,520	\$ 40,411,480	\$ 545,853	\$ 191,251	\$ 50,686,195
Revaluation gain	1,345,967	12,080	-	-	-	-	-	-	1,358,047
Accumulated depreciation and impairment	(26,850)	(1,481,057)	(132,152)	(791,924)	(204,605)	(14,594,606)	(327,823)	-	(17,559,017)
	<u>\$ 5,254,670</u>	<u>\$ 2,490,396</u>	<u>\$ 3,003</u>	<u>\$ 378,086</u>	<u>\$ 132,915</u>	<u>\$ 25,816,874</u>	<u>\$ 218,030</u>	<u>\$ 191,251</u>	<u>\$ 34,485,225</u>

	<u>Land</u>	<u>Buildings</u>	<u>Utility equipment</u>	<u>Office equipment</u>	<u>Machinery and equipment</u>	<u>Rental assets (Note)</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2015</u>									
Cost	\$ 4,214,936	\$ 3,995,682	\$ 134,965	\$ 1,143,659	\$ 342,416	\$ 41,507,508	\$ 493,289	\$ 23,427	\$ 51,855,882
Revaluation gain	1,371,933	12,080	-	-	-	-	-	-	1,384,013
Accumulated depreciation and impairment	(26,850)	(1,362,141)	(130,647)	(782,153)	(186,480)	(13,725,505)	(262,146)	-	(16,475,922)
	<u>\$ 5,560,019</u>	<u>\$ 2,645,621</u>	<u>\$ 4,318</u>	<u>\$ 361,506</u>	<u>\$ 155,936</u>	<u>\$ 27,782,003</u>	<u>\$ 231,143</u>	<u>\$ 23,427</u>	<u>\$ 36,763,973</u>
<u>2015</u>									
Opening net book amount	\$ 5,560,019	\$ 2,645,621	\$ 4,318	\$ 361,506	\$ 155,936	\$ 27,782,003	\$ 231,143	\$ 23,427	\$ 36,763,973
Additions	-	7,465	-	84,122	8,673	6,395,676	66,644	104,820	6,667,400
Disposals	-	-	-	(14,001)	(3,256)	(2,237,658)	(31,312)	-	(2,286,227)
Reclassifications	-	5,477	-	(955)	2,552	17,036	142	(5,801)	18,451
Depreciation	-	(72,191)	(633)	(60,875)	(13,720)	(4,299,936)	(28,810)	-	(4,476,165)
Reversal of provision for loss on rental assets	-	-	-	-	-	14,725	-	-	14,725
Net exchange differences	-	(21,161)	(8)	(4,286)	(2,037)	(118,299)	(158)	(69)	(146,018)
Closing net book amount	<u>\$ 5,560,019</u>	<u>\$ 2,565,211</u>	<u>\$ 3,677</u>	<u>\$ 365,511</u>	<u>\$ 148,148</u>	<u>\$ 27,553,547</u>	<u>\$ 237,649</u>	<u>\$ 122,377</u>	<u>\$ 36,556,139</u>
<u>At June 30, 2015</u>									
Cost	\$ 4,214,936	\$ 3,977,526	\$ 134,909	\$ 1,167,519	\$ 343,790	\$ 41,955,061	\$ 516,772	\$ 122,377	\$ 52,432,890
Revaluation gain	1,371,933	12,079	-	-	-	-	-	-	1,384,012
Accumulated depreciation and impairment	(26,850)	(1,424,394)	(131,232)	(802,008)	(195,642)	(14,401,514)	(279,123)	-	(17,260,763)
	<u>\$ 5,560,019</u>	<u>\$ 2,565,211</u>	<u>\$ 3,677</u>	<u>\$ 365,511</u>	<u>\$ 148,148</u>	<u>\$ 27,553,547</u>	<u>\$ 237,649</u>	<u>\$ 122,377</u>	<u>\$ 36,556,139</u>

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

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

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 283,193	\$ 395,142	\$ 678,335
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(183,440)	(183,440)
	<u>\$ 585,016</u>	<u>\$ 211,702</u>	<u>\$ 796,718</u>
<u>2016</u>			
Opening net book amount	\$ 585,016	\$ 211,702	\$ 796,718
Additions	-	2,166	2,166
Reclassifications	64,813	9,710	74,523
Depreciation	-	(4,358)	(4,358)
Closing net book amount	<u>\$ 649,829</u>	<u>\$ 219,220</u>	<u>\$ 869,049</u>
<u>At June 30, 2016</u>			
Cost	\$ 322,040	\$ 408,551	\$ 730,591
Revaluation gain	327,789	-	327,789
Accumulated depreciation	-	(189,331)	(189,331)
	<u>\$ 649,829</u>	<u>\$ 219,220</u>	<u>\$ 869,049</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 42,657	\$ 262,946	\$ 305,603
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(120,411)	(120,411)
	<u>\$ 344,480</u>	<u>\$ 142,535</u>	<u>\$ 487,015</u>
<u>2015</u>			
Opening net book amount	\$ 344,480	\$ 142,535	\$ 487,015
Depreciation	-	(2,680)	(2,680)
Closing net book amount	<u>\$ 344,480</u>	<u>\$ 139,855</u>	<u>\$ 484,335</u>
<u>At June 30, 2015</u>			
Cost	\$ 42,657	\$ 262,946	\$ 305,603
Revaluation gain	301,823	-	301,823
Accumulated depreciation	-	(123,091)	(123,091)
	<u>\$ 344,480</u>	<u>\$ 139,855</u>	<u>\$ 484,335</u>

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

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from investment property	<u>\$ 22,703</u>	<u>\$ 20,769</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 2,261</u>	<u>\$ 1,340</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from investment property	\$ 45,668	\$ 40,783
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 4,358	\$ 2,680

B. The fair value of the investment property held by the Group was \$1,321,161, \$1,213,593 and \$900,725 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively, based on the market value method.

(10) Short-term loans

<u>Type of loans</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Bank loans			
Unsecured loans	\$ 24,898,003	\$ 25,949,152	\$ 26,244,924
Mortgage loans	2,865,000	2,930,000	3,190,000
Mid-term syndicated loans for working capital	<u>3,610,736</u>	<u>7,112,783</u>	<u>7,748,139</u>
	<u>\$ 31,373,739</u>	<u>\$ 35,991,935</u>	<u>\$ 37,183,063</u>
Annual interest rate	<u>0.53%~5.00%</u>	<u>0.73%~5.00%</u>	<u>0.69%~7.8%</u>

As of June 30, 2016, December 31, 2015 and June 30, 2015, the details of loans are as follows:

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

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

- (a) Current ratio: At least 90%
- (b) Ratio of self-owned capital: At least 7%
- (c) Interest coverage ratio: At least 120%
- (d) Net value: At least \$2 billion

(11) Short-term notes and bills payable

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Commercial paper payable	\$ 49,449,000	\$ 42,742,000	\$ 34,148,000
Less: unamortized discount	(21,249)	(28,084)	(29,327)
	<u>\$ 49,427,751</u>	<u>\$ 42,713,916</u>	<u>\$ 34,118,673</u>
Annual interest rate	<u>0.65%~1.79%</u>	<u>0.77%~1.79%</u>	<u>0.9%~1.79%</u>

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Bonds payable	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

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

(13) Long-term loans

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Unsecured loans	\$ 4,185,660	\$ 4,617,450	\$ 7,848,302
Mortgage loans	350,000	650,000	400,000
Commercial papers payable	3,300,000	3,700,000	3,700,000
Less: unamortized discount	(6,008)	(6,605)	(9,219)
	<u>7,829,652</u>	<u>8,960,845</u>	<u>11,939,083</u>
Less: current portion (shown as other current liabilities)	(<u>3,214,363</u>)	(<u>3,914,023</u>)	(<u>2,693,219</u>)
	<u>\$ 4,615,289</u>	<u>\$ 5,046,822</u>	<u>\$ 9,245,864</u>
Loans interest rate range	<u>1.06% ~ 4.97%</u>	<u>1.24% ~ 5.93%</u>	<u>1.36% ~ 5.61%</u>

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

- (a) Debt ratio: 15 times
- (b) Equity ratio: At least 5%
- (c) Interest coverage ratio (excluding depreciation): At least 1.5 times
- (d) Net value: At least \$1 billion

B. As of June 30, 2016, the maturities of long-term loans of the subsidiaries, Hotai Leasing Co., Ltd. and Hoyun International Lease Co., Ltd., are as follows:

<u>Duration of maturity</u>	<u>Loans amount</u>
Up to 1 year	\$ 3,217,404
1 to 2 years	2,943,766
2 to 3 years	1,674,490
	<u>\$ 7,835,660</u>

C. The Group has undrawn borrowing facilities of \$12,750,062, \$10,365,150 and \$9,419,460 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

(14) Other payables

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Cash dividends payable	\$ 6,560,902	\$ 7,790	\$ 5,741,771
Wages and salaries payable	876,842	1,270,326	896,651
Remuneration payable to employees	221,236	384,032	202,134
Remuneration payable to directors and supervisors	133,952	347,927	148,026
Interest payable	116,524	97,139	123,980
Others	2,733,163	1,950,557	3,905,320
	<u>\$ 10,642,619</u>	<u>\$ 4,057,771</u>	<u>\$ 11,017,882</u>

(15) Pensions

Defined contribution pension plan

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company’s mainland subsidiaries have defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (“PRC”) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the mainland subsidiaries have no further obligations.
- C. The pension costs under the defined contribution pension plans of the Group for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 were \$51,422, \$50,837, \$104,004 and \$100,613, respectively.

(16) Provisions

	<u>Warranty</u>
At January 1, 2016	\$ 2,376,685
Additional provisions during the period	453,060
Used during the period	(425,544)
At June 30, 2016	<u>\$ 2,404,201</u>

Analysis of total provisions:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Current	\$ 1,306,837	\$ 1,320,472	\$ 1,216,923
Non-current	\$ 1,097,364	\$ 1,056,213	\$ 1,158,821

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

(17) Other non-current liabilities

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Deposits received for car rentals	\$ 11,166,573	\$ 11,182,381	\$ 10,911,846
Others	75,591	81,735	72,344
	<u>\$ 11,242,164</u>	<u>\$ 11,264,116</u>	<u>\$ 10,984,190</u>

(18) Share capital

As of June 30, 2016, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2016 and June 30, 2016 was both 546,179,184 shares.

(19) Capital surplus

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

(20) Retained earnings

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

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The Company recognized dividends distributed to shareholders amounted to \$6,554,150 (NT\$12.0 per share) and \$5,734,881 (NT\$10.5 per share) for the years ended December 31, 2016 and 2015, respectively.
- E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(26).

(21) Operating revenue

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Sales revenue	\$ 42,635,294	\$ 37,371,509
Rental revenue	3,204,898	3,310,523
Interest income	900,489	770,220
Service revenue	<u>553,012</u>	<u>582,158</u>
	<u>\$ 47,293,693</u>	<u>\$ 42,034,410</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Sales revenue	\$ 78,146,307	\$ 76,181,935
Rental revenue	6,467,208	6,642,439
Interest income	1,737,323	1,550,773
Service revenue	<u>1,119,769</u>	<u>1,135,527</u>
	<u>\$ 87,470,607</u>	<u>\$ 85,510,674</u>

(22) Operating cost

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cost of sales	\$ 38,277,089	\$ 33,172,009
Cost of rental sales	2,477,387	2,644,267
Interest expense	358,039	386,574
Cost of services	<u>152,668</u>	<u>137,779</u>
	<u>\$ 41,265,183</u>	<u>\$ 36,340,629</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cost of sales	\$ 69,885,783	\$ 67,756,073
Cost of rental sales	5,029,146	5,265,799
Interest expense	732,330	777,681
Cost of services	<u>309,299</u>	<u>266,247</u>
	<u>\$ 75,956,558</u>	<u>\$ 74,065,800</u>

(23) Other income

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental income	\$ 29,144	\$ 24,255
Interest income	33,832	35,562
Others	<u>422,378</u>	<u>149,648</u>
	<u>\$ 485,354</u>	<u>\$ 209,465</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental income	\$ 57,637	\$ 48,006
Interest income	62,860	69,685
Others	<u>775,010</u>	<u>494,610</u>
	<u>\$ 895,507</u>	<u>\$ 612,301</u>

(24) Other gains and losses

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Net gain on financial assets/liabilities at fair value through profit or loss	\$ 137,172	\$ 89,309
Gain on disposal of property, plant and equipment	2,365	2,170
Net currency exchange loss	(78,223)	(19,351)
Gain on disposal of investments	1,306	1,141
Miscellaneous disbursements	<u>(4,142)</u>	<u>(3,252)</u>
	<u>\$ 58,478</u>	<u>\$ 70,017</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Net loss on financial assets/liabilities at fair value through profit or loss	(\$ 73,540)	(\$ 77,771)
Gain on disposal of property, plant and equipment	3,925	2,721
Net currency exchange gain	47,261	112,797
Gain on disposal of investments	1,357	4,102
Miscellaneous disbursements	(8,839)	(12,078)
	<u>(\$ 29,836)</u>	<u>\$ 29,771</u>

(25) Expenses by nature

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense	\$ 1,389,451	\$ 1,386,525
Depreciation	2,121,489	2,241,685
Amortization	4,379	4,520
	<u>\$ 3,515,319</u>	<u>\$ 3,632,730</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense	\$ 2,795,884	\$ 2,741,562
Depreciation	4,297,857	4,478,845
Amortization	8,817	9,251
	<u>\$ 7,102,558</u>	<u>\$ 7,229,658</u>

(26) Employee benefit expense

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ 1,183,823	\$ 1,198,540
Labor and health insurance fees	77,736	71,723
Pension costs	51,422	50,837
Other personnel expenses	76,470	65,425
	<u>\$ 1,389,451</u>	<u>\$ 1,386,525</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ 2,384,191	\$ 2,352,573
Labor and health insurance fees	163,790	156,409
Pension costs	104,004	100,613
Other personnel expenses	143,899	131,967
	<u>\$ 2,795,884</u>	<u>\$ 2,741,562</u>

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' remuneration and directors' and

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

B. For the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, employees' remuneration was accrued at \$36,080, \$22,725, \$66,976 and \$49,342, respectively; while directors' and supervisors' remuneration was accrued at \$72,161, \$68,175, \$133,952 and \$148,026, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' remuneration and directors' and supervisors' remuneration were estimated and accrued based on 1% and 2% of profit of current year distributable for the six months ended June 30, 2016.

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

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax expense recognized in the current period	\$ 548,240	\$ 529,545
Additional 10% income tax imposed on unappropriated earnings	262,962	323,453
Prior year income tax (over) under estimate	(11,598)	3,664
Total current tax	<u>799,604</u>	<u>856,662</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>38,658</u>	<u>32,676</u>
Total deferred tax	<u>38,658</u>	<u>32,676</u>
Income tax expense	<u>\$ 838,262</u>	<u>\$ 889,338</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax expense recognized in the current period	\$ 1,102,086	\$ 1,129,611
Additional 10% income tax imposed on unappropriated earnings	262,962	323,453
Prior year income tax (over) under estimate	(11,598)	3,664
Total current tax	<u>1,353,450</u>	<u>1,456,728</u>
Deferred tax:		
Origination and reversal of temporary differences	(10,485)	26,361
Total deferred tax	(10,485)	26,361
Income tax expense	<u>\$ 1,342,965</u>	<u>\$ 1,483,089</u>

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

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cash flow hedges	\$ 303	(\$ 1,473)

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cash flow hedges	\$ 647	(\$ 4,682)

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

C. Unappropriated earnings:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Earnings generated in and before 1997	\$ 1,833,874	\$ 1,833,874	\$ 1,833,874
Earnings generated in and after 1998	<u>21,123,183</u>	<u>23,029,344</u>	<u>18,799,796</u>
	<u>\$ 22,957,057</u>	<u>\$ 24,863,218</u>	<u>\$ 20,633,670</u>

D. Integrated income tax system:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Balance of the imputation tax credit account	<u>\$ 4,404,504</u>	<u>\$ 3,398,334</u>	<u>\$ 3,762,296</u>
Tax deduction ratio of earnings distribution		<u>2015 (estimated)</u>	<u>2014 (actual)</u>
		<u>19.13%</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 June 30, 2016. The Company determines the amount of imputation tax credit distributed to shareholders based on the balance of the imputation tax credit account at

	<u>Six months ended June 30, 2015</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 of the parent	\$ 5,482,458	546,179	\$ 10.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,482,458	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	306	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 5,482,458	546,485	\$ 10.03

(29) Operating leases

A. Lessor

The subsidiaries, Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd., engage in vehicles rental services. Partial collection is advance receipts of notes for rents which expire based on payment terms. As of June 30, 2016, December 31, 2015 and June 30, 2015, the notes receivable collected in advance amounted to \$8,891,833, \$8,669,455 and \$9,294,563, respectively. The notes receivable and advance rents are presented at net amount and are not shown in the balance sheet. As of June 30, 2016, December 31, 2015 and June 30, 2015, the amount of \$6,863,406, \$6,965,126 and \$7,168,568 out of the notes receivable have been pledged as collateral for long-term and short-term bank loans and issuance of commercial papers.

Total future notes receivable for rents are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Up to 1 year	\$ 5,101,696	\$ 5,044,767	\$ 5,250,726
1 to 5 years	3,790,137	3,624,688	4,043,837
	<u>\$ 8,891,833</u>	<u>\$ 8,669,455</u>	<u>\$ 9,294,563</u>

B. Lessee

The Group leases buildings for operation under operating lease agreements. The lease terms are between 1 and 10 years, and all these lease agreements are renewable at the end of the lease period. The Group recognized rental expenses of \$149,616, \$113,480, \$289,283 and \$227,336 for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases agreements are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Up to 1 year	\$ 286,170	\$ 279,217	\$ 234,000
1 to 5 years	637,746	556,642	557,678
Over 5 years	530,940	494,878	505,803
	<u>\$ 1,454,856</u>	<u>\$ 1,330,737</u>	<u>\$ 1,297,481</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue:

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(a) Sales of goods:		
-Associates	\$ 30,837,577	\$ 26,494,164
-Entities controlled by key management	10,397	8,023
Sales of services:		
-Associates	11,435	13,281
-Entities controlled by key management	<u>24,124</u>	<u>21,197</u>
	<u>\$ 30,883,533</u>	<u>\$ 26,536,665</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Sales of goods:		
-Associates	\$ 55,424,751	\$ 55,059,079
-Entities controlled by key management	25,123	12,767
Sales of services:		
-Associates	29,777	30,257
-Entities controlled by key management	<u>47,590</u>	<u>49,589</u>
	<u>\$ 55,527,241</u>	<u>\$ 55,151,692</u>

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

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(b) Interest income:		
-Associates	<u>\$ 13,872</u>	<u>\$ 14,271</u>
	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Interest income:		
-Associates	<u>\$ 26,290</u>	<u>\$ 29,708</u>

Interest income is interest arising from sales between transaction dates and collection dates. Starting from March 27, 2016, the annual interest rate was adjusted to 2.40%. The annual interest rate along with interest accruing on a daily basis is 2.775% for the three months ended June 30, 2015, and six months ended June 30, 2015.

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(c) Subsidy income for price difference from installments:		
-Associates	\$ <u>67,022</u>	\$ <u>72,087</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Subsidy income for price difference from installments:		
-Associates	\$ <u>157,130</u>	\$ <u>143,782</u>

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(d) Rental revenue:		
-Associates	\$ 24,843	\$ 21,384
-Entities controlled by key management	<u>1,084</u>	<u>215</u>
	<u>\$ 25,927</u>	<u>\$ 21,599</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental revenue:		
-Associates	\$ 48,528	\$ 41,085
-Entities controlled by key management	<u>2,168</u>	<u>440</u>
	<u>\$ 50,696</u>	<u>\$ 41,525</u>

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

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(e) Contracted operating revenue (listed as operating revenue)		
-Associates	\$ <u>8,961</u>	\$ <u>6,449</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Contracted operating revenue (listed as operating revenue)		
-Associates	\$ <u>15,556</u>	\$ <u>14,488</u>

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(f)Warranty revenue (shown as deductions to warranty costs)		
-Associates	\$ 85,941	\$ 43,683
-Entities controlled by key management	<u>144,346</u>	<u>61,466</u>
	<u>\$ 230,287</u>	<u>\$ 105,149</u>
	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Warranty revenue (shown as deductions to warranty costs)		
-Associates	\$ 123,090	\$ 80,658
-Entities controlled by key management	<u>234,098</u>	<u>155,267</u>
	<u>\$ 357,188</u>	<u>\$ 235,925</u>
	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(g)Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates	\$ 85,261	\$ 53,252
-Entities controlled by key management	<u>36,996</u>	<u>30,233</u>
	<u>\$ 122,257</u>	<u>\$ 83,485</u>
	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense)		
-Associates	\$ 120,563	\$ 143,902
-Entities controlled by key management	<u>79,932</u>	<u>40,952</u>
	<u>\$ 200,495</u>	<u>\$ 184,854</u>
	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(h)Distribution income (shown as deductions to freight)		
-Associates	<u>\$ 12,146</u>	<u>\$ 8,580</u>
	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Distribution income (shown as deductions to freight)		
-Associates	<u>\$ 21,160</u>	<u>\$ 19,442</u>

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(i) Miscellaneous income		
-Associates	\$ 90,343	\$ 81,951
-Entities controlled by key management	<u>8,969</u>	<u>10,755</u>
	<u>\$ 99,312</u>	<u>\$ 92,706</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Miscellaneous income		
-Associates	\$ 159,324	\$ 160,716
-Entities controlled by key management	<u>28,040</u>	<u>32,265</u>
	<u>\$ 187,364</u>	<u>\$ 192,981</u>

B. Expenditure

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(a) Purchase of goods:		
-Associates	\$ 23,954,220	\$ 22,443,005
-Entities controlled by key management	<u>10,854,043</u>	<u>9,124,689</u>
	<u>\$ 34,808,263</u>	<u>\$ 31,567,694</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Purchase of goods:		
-Associates	\$ 44,833,217	\$ 46,721,289
-Entities controlled by key management	<u>20,397,952</u>	<u>18,597,195</u>
	<u>\$ 65,231,169</u>	<u>\$ 65,318,484</u>

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

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

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(b) Interest expense:		
-Associates	\$ 6,021	\$ 6,549

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Interest expense:		
-Associates	\$ 11,955	\$ 14,248

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from March 27, 2016, the annual interest rate was adjusted to 2.0%. The annual interest rate along with interest accruing on a daily basis is 2.375% for the three months ended June 30, 2015 and six months ended June 30, 2015.

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(c) Rental expense:		
-Associates	\$ 4,736	\$ 4,547

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental expense:		
-Associates	\$ 9,154	\$ 9,405

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>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(d) Warranty cost:		
-Associates	\$ 186,599	\$ 102,155

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Warranty cost:		
-Associates	\$ 264,895	\$ 176,678

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
(e) Advertisement expense:		
-Associates	\$ 357	\$ 2,442
-Entities controlled by key management	58	-
	<u>\$ 415</u>	<u>\$ 2,442</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Advertisement expense:		
-Associates	\$ 4,604	\$ 3,695
-Entities controlled by key management	128	1,325
	<u>\$ 4,732</u>	<u>\$ 5,020</u>

C. Receivables from (payables to) related parties

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
(a) Receivables from related parties:			
-Associates	\$ 2,619,228	\$ 2,001,869	\$ 3,937,836
-Entities controlled by key management	<u>10,678</u>	<u>5,858</u>	<u>3,499</u>
	<u>\$ 2,629,906</u>	<u>\$ 2,007,727</u>	<u>\$ 3,941,335</u>

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
(b) Other receivables from related parties:			
-Associates	\$ 230,911	\$ 426,889	\$ 227,413
-Entities controlled by key management	<u>11,649</u>	<u>10,329</u>	<u>100</u>
	<u>\$ 242,560</u>	<u>\$ 437,218</u>	<u>\$ 227,513</u>

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
(c) Accounts payable			
-Associates	\$ 1,970,306	\$ 1,078,113	\$ 2,566,534
-Entities controlled by key management	<u>3,920,495</u>	<u>2,907,972</u>	<u>3,139,404</u>
	<u>\$ 5,890,801</u>	<u>\$ 3,986,085</u>	<u>\$ 5,705,938</u>

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
(d) Other payables			
-Associates	\$ 126,105	\$ 272,586	\$ 125,501
-Entities controlled by key management	<u>230</u>	<u>2,185</u>	<u>15</u>
	<u>\$ 126,335</u>	<u>\$ 274,771</u>	<u>\$ 125,516</u>

D. Property transactions

Acquisition of rental assets and cars for self-use

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Associates	<u>\$ 1,326,907</u>	<u>\$ 1,574,236</u>

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Associates	<u>\$ 2,826,223</u>	<u>\$ 2,999,364</u>

(2) Key management remuneration

	<u>Three months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 93,908	\$ 89,231

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 173,886	\$ 189,532

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>	<u>Purpose</u>
Notes and accounts receivable	\$ 9,097,822	\$ 9,105,883	\$ 8,430,567	Short-term loans and commercial papers payable
Restricted assets (Note)				
-Demand and time deposits	119,549	99,071	120,346	Short-term loans and performance guarantee
Property, plant and equipment				
-Land	766,717	766,717	766,717	Short-term loans
-Buildings	<u>266,464</u>	<u>312,219</u>	<u>289,698</u>	Short-term loans
	<u>\$ 10,250,552</u>	<u>\$ 10,283,890</u>	<u>\$ 9,607,328</u>	
Transactions not listed in the balance sheet				
-Notes receivable for rent	<u>\$ 6,863,406</u>	<u>\$ 6,965,126</u>	<u>\$ 7,168,568</u>	Long-term and short-term loans and commercial papers payable

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Details of operating lease agreements are provided in Note 6(29).

(2) Significant contracts signed by the Group as of June 30, 2016 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
<u>The Company</u>			
Distributor agreement (Note)	Toyota Motor Corporation	January 1, 2016 to December 31, 2018 (Toyota)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
		January 1, 2016 to December 31, 2018 (Lexus)	
	Hino Motors, Ltd.	April 1, 2016 to June 30, 2021 (Hino)	

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2015 to May 14, 2018	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd.	Starting from July 1, 2009	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
	Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from June 1, 2002 Starting from January 1, 2003	
<u>Chang Yuan Motor Co., Ltd.</u> Trading contracts	Kuozui Motors, Ltd.	Starting from June 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
<u>Toyota Material Handling Taiwan Ltd.</u> Distributor agreement	Toyota Industries Corporation	April 1, 2014 to March 31, 2017	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

(3) On June 17, 2016, the Board of Directors approved for the Company's subsidiary, Hozan Investment Co., Ltd., to acquire 99.73% of the share capital of Zurich Insurance (Taiwan) Ltd. at the transaction price of \$6.4 billion plus the daily fixed profits from the valuation date to the settlement date. However, considering the assessment schedule of the governing authorities, the settlement date has not yet been set. Procedures related to the acquisition and disposal of assets will be announced after the settlement date and amounts have been confirmed.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (please refer to Notes 6(2) and 6(4)).

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the finance departments of companies within the Group. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group enters into forward exchange contracts, through finance departments of companies within the Group. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

	June 30, 2016			December 31, 2015		
	Foreign currency amount	Exchange rate	Book value	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)	(In thousands)		(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD	9,920	32.2750	\$	320,168	USD 2,947 32.8250 \$ 96,735
JPY:NTD	JPY	78,568	0.3143		24,694	JPY 110,176 0.2727 30,045
RMB:NTD	CNY	5,199	4.8583		25,258	CNY 49 5.0550 248
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD	180,501	32.2750	\$	5,825,670	USD 273,303 32.8250 \$ 8,971,171
JPY:NTD	JPY	3,153,530	0.3143		991,154	JPY 3,150,709 0.2727 859,198
USD:RMB (Note)	USD	15,000	6.6433		484,125	USD 15,000 6.4936 492,375

	June 30, 2015		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	USD	5,669	30.8600 \$ 174,945
JPY:NTD	JPY	83,305	0.2524 21,026
USD:RMB (Note)	CNY	134	6.2010 4,135
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	USD	268,360	30.8600 \$ 8,281,590
JPY:NTD	JPY	2,025,982	0.2524 511,358

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

iv. The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, amounted to (\$78,223), (\$19,351), \$47,261 and \$112,797, respectively.

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

	<u>Six months ended June 30, 2016</u>			<u>Six months ended June 30, 2015</u>		
	<u>Sensitivity analysis</u>			<u>Sensitivity analysis</u>		
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 3,202	\$ -	1%	\$ 1,749	\$ -
JPY:NTD	1%	247	-	1%	210	-
RMB:NTD	1%	253	-	1%	-	-
USD:RMB (Note)	1%	-	-	1%	41	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	58,257	-	1%	82,816	-
JPY:NTD	1%	9,912	-	1%	5,114	-
USD:RMB (Note)	1%	4,841	-	1%	-	-

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

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and available-for-sale financial assets are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.
- ii. The borrowings of the subsidiaries, Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd. and Hoyun Leasing International Limited, are partially held at fixed rates so its has certain market risk. For the position held at the balance sheet date, if market interest rates had been 1% higher/lower, fair value of the borrowings would have been \$1,220,077 higher/lower. Therefore, Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd. engage in interest rate swap transactions, assess market risk using PVBP (Present Value of Basis Point) method, and set stop-loss point based on changes in contract values. Losses arising from transactions are within the expectation, thus, there is no significant market risk.

(b)Credit risk

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

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

- ii. For the six months ended June 30, 2016 and 2015, no credit limits were exceeded during the reporting period and management does not expect any significant losses from non-performance by these counterparties.
- iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of June 30, 2016, December 31, 2015 and June 30, 2015, HFC has financial instruments with off-balance-sheet credit risk amounted to \$11,639,470, \$13,467,878 and \$14,215,387, respectively, and HFC has collected notes for installment payment on behalf of the banks. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as ‘other current liabilities’.
- iv. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(5).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(13)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. The table below analyses the Group’s non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

June 30, 2016

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 18,014,364	\$ 8,638,675	\$ 4,720,700
Short-term notes and bills payable	49,427,751	-	-
Notes payable	115,195	-	-
Accounts payable	8,665,409	-	-
Other payables	10,642,619	-	-
Bonds payable	-	1,000,000	-
Long-term loans (including current portion)	3,217,404	2,943,766	1,674,490

December 31, 2015

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

June 30, 2015

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 31,439,291	\$ 2,855,097	\$ 2,888,675
Short-term notes and bills payable	34,118,673	-	-
Notes payable	73,193	-	-
Accounts payable	8,163,515	-	-
Other payables	11,017,882	-	-
Bonds payable	-	-	1,000,000
Long-term loans (including current portion)	2,695,320	3,853,123	5,399,859

Derivative financial liabilities:

June 30, 2016

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Interest rates swaps	\$ 482	\$ -	\$ -
Currency swaps	-	51,350	-
Forward exchange contracts	25,054	-	-

December 31, 2015

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

June 30, 2015

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Interest rates swaps	\$ -	\$ 877	\$ -
Currency swaps	-	267,466	-

(3) Fair value information

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

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

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

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as of June 30, 2016, December 31, 2015 and June 30, 2015 is as follows:

<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 4,156,886	\$ -	\$ -	\$ 4,156,886
Derivative financial assets for hedging	-	333,826	-	333,826
Available-for-sale financial assets				
Equity securities	<u>590,055</u>	<u>-</u>	<u>265,851</u>	<u>855,906</u>
	<u>\$ 4,746,941</u>	<u>\$ 333,826</u>	<u>\$ 265,851</u>	<u>\$ 5,346,618</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 25,054	\$ -	\$ 25,054
Derivative financial liabilities for hedging	<u>-</u>	<u>51,832</u>	<u>-</u>	<u>51,832</u>
	<u>\$ -</u>	<u>\$ 76,886</u>	<u>\$ -</u>	<u>\$ 76,886</u>
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 3,751,031	\$ -	\$ -	\$ 3,751,031
Forward exchange contracts	-	54,417	-	54,417
Derivative financial assets for hedging	-	304,772	-	304,772
Available-for-sale financial assets				
Equity securities	<u>529,336</u>	<u>-</u>	<u>300,222</u>	<u>829,558</u>
	<u>\$ 4,280,367</u>	<u>\$ 359,189</u>	<u>\$ 300,222</u>	<u>\$ 4,939,778</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Derivative financial liabilities for hedging				
	<u>\$ -</u>	<u>\$ 16,924</u>	<u>\$ -</u>	<u>\$ 16,924</u>

<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 2,744,909	\$ -	\$ -	\$ 2,744,909
Forward exchange contracts	-	46,219	-	46,219
Derivative financial assets for hedging	-	131,758	-	131,758
Available-for-sale financial assets				
Equity securities	<u>615,143</u>	<u>-</u>	<u>332,981</u>	<u>948,124</u>
	<u>\$ 3,360,052</u>	<u>\$ 177,977</u>	<u>\$ 332,981</u>	<u>\$ 3,871,010</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Derivative financial liabilities for hedging	<u>\$ -</u>	<u>\$ 268,343</u>	<u>\$ -</u>	<u>\$ 268,343</u>

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

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

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

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

E. For the six months ended June 30, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the six months ended June 30, 2016 and 2015:

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 300,222	\$ 333,582
Proceeds from capital reduction	(23,032)	-
Gains and losses recognized in other comprehensive income	(11,339)	(601)
At June 30	<u>\$ 265,851</u>	<u>\$ 332,981</u>

G. For the six months ended June 30, 2016 and 2015, there was no transfer between Level 1, Level 2 and Level 3.

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

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

	<u>Fair value at June 30, 2016</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 265,851	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
	<u>Fair value at December 31, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 300,222	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

	<u>Fair value at June 30, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 332,981	Asset liability method, Market comparable companies	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of June 30, 2016, December 31, 2015 and June 30, 2015.

(4) Financial statement presentation

Certain accounts in the December 31, 2015 and June 30, 2015 financial statements have been reclassified to conform with the June 30, 2016 financial statement presentation.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows (For the information on investees, except for the financial statements of Hozan Investment Co., Ltd., Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd. which were reviewed by independent accountants, other investees were based solely on the unreviewed 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 June 30, 2016:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Contract Period	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 169,200	2016.7.14~2016.10.14	(\$ 25,054)	(\$ 25,054)
Hotai Finance Co., Ltd.	Currency swaps	USD 180,500	2016.12.12~2018.9.18	154,727	154,727
Hotai Finance Co., Ltd.	Currency swaps	JPY 3,100,000	2018.9.18	127,749	127,749
Hotai Leasing Co., Ltd.	Interest rate swaps	NTD 300,000	2016.11.14~2016.11.28	(482)	(482)

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

B. Information on investees

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

C. Information on investments in Mainland China

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

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

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

14. SEGMENT INFORMATION

(1)General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Company considers the business from operating perspective, and the reportable operating segments are as

follows:

- A. Distributor of Toyota and Hino products segments: distributor for sales of Toyota and Hino vehicles, parts and other products to dealers. This segment is referred to Ho Tai Motor Co., Ltd. As of June 30, 2016, the Company's self-owned capital ratio was 68%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

- A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.
- B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Items	Six months ended June 30, 2016					
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 53,765,655	\$ 2,819,382	\$ 7,663,220	\$ 23,222,350	\$ -	\$ 87,470,607
Inter-segment revenue (Note)	2,905,123	152,114	232,347	1,698,032	(4,987,616)	-
Total segment revenue	<u>\$ 56,670,778</u>	<u>\$ 2,971,496</u>	<u>\$ 7,895,567</u>	<u>\$ 24,920,382</u>	<u>(\$ 4,987,616)</u>	<u>\$ 87,470,607</u>
Segment income (loss) (Note)	<u>\$ 6,496,679</u>	<u>\$ 755,052</u>	<u>\$ 271,743</u>	<u>\$ 2,336,491</u>	<u>(\$ 2,229,428)</u>	<u>\$ 7,630,537</u>
Segment assets	<u>\$ 56,747,172</u>	<u>\$ 79,993,328</u>	<u>\$ 25,695,879</u>	<u>\$ 48,707,904</u>	<u>(\$ 38,172,240)</u>	<u>\$ 172,972,043</u>

Items	Six months ended June 30, 2015					
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 53,493,174	\$ 2,646,790	\$ 7,177,739	\$ 22,192,971	\$ -	\$ 85,510,674
Inter-segment revenue (Note)	2,650,465	130,744	329,079	1,664,280	(4,774,568)	-
Total segment revenue	<u>\$ 56,143,639</u>	<u>\$ 2,777,534</u>	<u>\$ 7,506,818</u>	<u>\$ 23,857,251</u>	<u>(\$ 4,774,568)</u>	<u>\$ 85,510,674</u>
Segment income (loss) (Note)	<u>\$ 6,418,968</u>	<u>\$ 739,542</u>	<u>\$ 304,852</u>	<u>\$ 2,949,075</u>	<u>(\$ 2,863,861)</u>	<u>\$ 7,548,576</u>
Segment assets	<u>\$ 52,429,616</u>	<u>\$ 72,532,374</u>	<u>\$ 26,197,968</u>	<u>\$ 46,574,080</u>	<u>(\$ 34,952,488)</u>	<u>\$ 162,781,550</u>

Note: Inter-segment revenue is revenue from goods sold and services rendered between segments. Sales and transfers between consolidated entities are deemed as transactions with third parties and are measured at present market price.

(4) Reconciliation for segment income (loss)

- A. The Company's chief operating decision-maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.
- B. The total assets reported to the chief operating decision-maker are measured in a manner consistent with that in the Company's financial statements.

Ho Tai Motor Co., Ltd. and Subsidiaries

Loans to others

Six months ended June 30, 2016

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

Table 1

No.	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the six months ended June 30, 2016	Balance at June 30, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
													Item	Value				
1	Shanghai Hoyu Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	Other receivables	Yes	\$ 244,053	\$ 213,764	\$ 11,829	2.15%	Short-term financing	-	Operating Capital	\$ -	-	None	\$ -	\$ 308,481	\$ 308,481	
2	Shanghai Heling Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	376,248	242,914	2,212	2.15%	"	-	"	-	"	-	-	347,518	347,518	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	116,942	106,882	7,176	2.15%	"	-	"	-	"	-	-	152,103	152,103	
4	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	106,773	87,449	6,245	2.15%	"	-	"	-	"	-	-	112,950	112,950	
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	564,372	534,411	51,879	2.15%	"	-	"	-	"	-	-	692,001	692,001	
6	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	49,742	48,583	-	2.15%	"	-	"	-	"	-	-	136,700	136,700	
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	345,742	310,930	11,924	2.15%	"	-	"	-	"	-	-	391,996	391,996	
8	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	244,053	233,197	12,269	2.15%	"	-	"	-	"	-	-	303,212	303,212	
9	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	45,760	43,725	-	2.15%	"	-	"	-	"	-	-	106,168	106,168	
10	Tianjin Hozhan Motor Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	10,169	7,287	5,547	2.15%	"	-	"	-	"	-	-	185,206	185,206	
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hoton Motor Investment Co., Ltd.	"	"	79,587	77,732	-	2.15%	"	-	"	-	"	-	-	208,154	208,154	
12	Hoton Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	"	99,483	97,166	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	"	223,838	218,623	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	"	177,955	131,174	24,437	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	"	127,111	72,874	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	"	198,967	194,331	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	223,838	218,623	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	"	198,967	194,331	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	"	223,838	218,623	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	"	137,280	121,457	46,154	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	"	167,786	160,323	129,190	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	
12	Hoton Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	"	24,871	24,291	-	4.35%	"	-	"	-	"	-	-	3,142,374	6,284,748	

Ho Tai Motor Co., Ltd. and Subsidiaries
 Provision of endorsements and guarantees to others
 Six months ended June 30, 2016
 Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

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 June 30, 2016	Outstanding endorsement/ guarantee amount at June 30, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Ho Tai Motor Co., Ltd.	Hoan Investment Co., Ltd.	Subsidiary	\$ 11,494,316	\$ 7,828,544	\$ 7,828,544	\$ -	\$ -	20.43%	\$ 19,157,194	Y	N	N	Note 1
0	Ho Tai Motor Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	An indirect wholly-owned subsidiary	11,494,316	635,993	467,988	-	-	1.22%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	11,494,316	567,501	561,585	-	-	1.47%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	11,494,316	342,458	338,888	-	-	0.88%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	11,494,316	472,918	467,988	-	-	1.22%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	11,494,316	342,458	290,475	-	-	0.76%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	11,494,316	782,760	613,225	-	-	1.60%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	"	11,494,316	260,920	258,200	-	-	0.67%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	11,494,316	391,380	387,300	-	-	1.01%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	11,494,316	97,845	96,825	-	-	0.25%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	11,494,316	635,993	467,988	21,871	-	1.22%	19,157,194	Y	N	Y	"
0	Ho Tai Motor Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	11,494,316	538,148	371,163	-	-	0.97%	19,157,194	Y	N	Y	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Subsidiary	7,931,997	1,494,288	428,580	428,580	-	5.40%	7,931,997	Y	N	Y	Note 2

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

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

The net asset is based on the latest audited or reviewed financial statements.

Ho Tai Motor Co., Ltd. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Six months ended June 30, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of June 30, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock—Mega Financial Holding Company	None	Available-for-sale financial assets - non-current	20,617,157	\$ 500,997	0.17%	\$ 500,997	
	— Shihlin Electric & Engineering Corporation etc.	"	"	-	88,161	0.00%~0.42%	88,161	
	Taian Insurance Co., Ltd. etc.	-	"	-	223,407	0.04%~3.10%	223,407	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	47,947,204	590,022	-	594,550	
	— Mega Diamond Money Market Fund	"	"	61,610,189	900,000	-	902,534	
	— Jih Sun Money Market Fund	"	"	22,433,093	300,000	-	300,162	
	— CTBC Hwa-win Money Market Fund	"	"	2,838,732	500,000	-	500,911	
	— FSITC Money Market Fund	"	"	18,805,123	300,000	-	300,154	
	— Nomura Taiwan Money Market Fund	"	"	78,837,519	800,000	-	805,554	
	— Franklin Templeton Sinoam Money Market Fund	"	"					
			Valuation adjustment of financial assets		13,843	-	-	
			Total		\$ 3,403,865		\$ 3,403,865	
Hoan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. etc.	-	Available-for-sale financial assets - non-current	-	\$ 3,166	0.50%	\$ 3,166	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	639,529	\$ 10,000	-	\$ 10,002	
	— Prudential Financial Money Market Fund							
			Valuation adjustment of financial assets		2	-	-	
			Total		\$ 10,002		\$ 10,002	
Toyota Material Handling Taiwan Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	31,264,952	318,092	-	319,462	
	— Franklin Templeton Sinoam Money Market Fund							
			Valuation adjustment of financial assets		1,370	-	-	
			Total		\$ 319,462		\$ 319,462	
Chang Yuan Motor Co., Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	4,038,544	\$ 50,000		\$ 50,078	
	— Mega Diamond Money Market Fund							
			Valuation adjustment of financial assets		78	-	-	
			Total		\$ 50,078		\$ 50,078	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. etc.	-	Available-for-sale financial assets - non-current	-	\$ 3,692	0.06%~0.50%	\$ 3,692	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	23,809,978	\$ 243,000		\$ 243,288	
	- Franklin Templeton Sinoam Money Market Fund							
	- Nomura Taiwan Money Market Fund	"	"	6,207,402	\$ 100,000		\$ 100,191	
			Valuation adjustment of financial assets		479		-	
			Total		\$ 343,479		\$ 343,479	
Ho Tai Development Co., Ltd.	Stock - First Commercial Bank etc.	-	Available-for-sale financial assets - non-current	-	\$ 897	-	\$ 897	
	Ho An Insurance Agency Co., Ltd. etc.	-	"	-	4,686	0.06%~0.61%	4,686	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	1,864,002	\$ 30,000	-	\$ 30,000	
	— Hua Nan Kirin Money Market Fund							
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. etc.	-	Available-for-sale financial assets - non-current	-	\$ 3,166	0.50%	\$ 3,166	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. etc.	-	"	-	\$ 3,166	0.50%	\$ 3,166	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation etc.	None	"	-	\$ 24,568	10.50%	\$ 24,568	

Ho Tai Motor Co., Ltd. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Six months ended June 30, 2016

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

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investee	Balance as at January 1, 2016		Addition		Disposal			Balance as at June 30, 2016		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Ho Tai Motor Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	22,433,093	\$ 300,000	-	\$ -	\$ -	\$ -	22,433,093	\$ 300,000
Ho Tai Motor Co., Ltd.	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	18,805,123	300,000	-	-	-	-	18,805,123	300,000
Ho Tai Motor Co., Ltd.	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	18,617,582	300,000	-	-	18,617,582	300,393	300,000	393	-	-

Ho Tai Motor Co., Ltd. and Subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Six months ended June 30, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			(sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 12,112,959	22%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 469,182	19%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	10,987,111	20%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	439,461	18%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	8,859,184	16%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	304,806	12%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	7,683,250	14%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	324,410	13%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	6,687,715	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	243,356	10%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	5,976,835	11%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	190,874	8%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	1,222,560	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	50,872	2%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	1,183,236	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	49,667	2%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	902,690	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	"	255,177	10%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	299,434	1%	Collection at sight	Normal	"	8,237	1%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	26,522,715	50%	7 days end of week, interest bearing from transaction date	Not applicable	"	(1,164,368)	17%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	"	15,498,307	29%	Closes its accounts 15 days after the end of each month	"	"	(3,578,618)	51%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific PTE	"	"	1,013,461	2%	Closes its accounts 15 days after the end of each month	"	"	(165,307)	2%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	543,267	1%	Closes its accounts 16 days after the end of each month	"	"	(117,744)	2%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	340,118	1%	Closes its accounts 16 days after the end of each month	"	"	(65,516)	1%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	173,426	-	Closes its accounts 15 days after the end of each month	"	"	(4,919)	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Sales USA	"	"	172,508	-	Closes its accounts 15 days after the end of each month	"	"	(148,236)	2%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	902,690	18%	7 days end of week, interest bearing from transaction date	"	Not applicable	(255,177)	66%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	3,971,345	78%	7 days after invoice date	"	"	(184,828)	48%	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Sales	289,887	5%	14 days after invoice date	Normal	Normal	-	-	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	173,271	3%	Collection at sight	"	"	8	-	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	Purchases	109,408	52%	Closes its accounts 15 days after the end of each month	Not applicable	"	43,544	51%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Sales	543,267	19%	Closes its accounts 16 days after the end of each month	Normal	"	117,744	14%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)		Percentage of total purchases (sales)	Transaction	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Sales	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	Associates	Sales	\$ 314,589	11%	Closes its accounts 35 days after the end of each month	Normal	Normal	\$ 149,787	17%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	255,469	9%	Closes its accounts 35 days after the end of each month	"	"	106,146	12%	
Carmax Co., Ltd.	Innovation Auto Parts Co., Ltd.	"	"	248,952	9%	Closes its accounts 25 days after the end of each month	"	"	58,218	7%	
Carmax Co., Ltd.	New Strong Power Logistics Co., Ltd.	"	"	195,073	7%	Closes its accounts 40 days after the end of each month	"	"	73,456	8%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	180,707	6%	Closes its accounts 40 days after the end of each month	"	"	70,233	8%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	"	119,150	4%	Closes its accounts 30 days after the end of each month	"	"	19,533	2%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	"	"	113,404	4%	Closes its accounts 40 days after the end of each month	"	"	46,698	5%	
Carmax Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Purchases	113,229	5%	Closes its accounts 21 days after the end of each month	"	"	(25,628)	5%	
Hotai Finance Co., Ltd.	Central Motor Co., Ltd.	"	"	2,744,257	14%	Payment at sight	"	"	(89,552)	15%	
Hotai Finance Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	2,467,320	12%	Payment at sight	"	"	(4,680)	1%	
Hotai Finance Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	2,456,006	12%	Payment at sight	"	"	(144,491)	23%	
Hotai Finance Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	2,005,978	10%	Payment at sight	"	"	(92,463)	15%	
Hotai Finance Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,954,467	10%	Payment at sight	"	"	(87,358)	14%	
Hotai Finance Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	1,869,468	9%	Payment at sight	"	"	(96,427)	16%	
Hotai Finance Co., Ltd.	Eastern Motor Co., Ltd.	"	"	392,593	2%	Payment at sight	"	"	(4,840)	1%	
Hotai Finance Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	312,566	2%	Payment at sight	"	"	(4,320)	1%	
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	299,434	4%	Payment at sight	"	"	(8,237)	8%	
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	"	674,434	12%	Payment at sight	"	"	-	-	Note
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	506,750	9%	Payment at sight	"	"	(3,059)	3%	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	427,728	8%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	"	"	442,300	8%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	353,336	6%	Payment at sight	"	"	(2,351)	2%	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	304,055	6%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	173,271	3%	Payment at sight	"	"	(8)	-	"
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	1,222,560	99%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(50,872)	82%	
Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	Associates	Sales	392,593	29%	Collection at sight	"	"	4,840	1%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	1,191,803	95%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	685,540	84%	Payment in advance	"	"	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	600,819	91%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	506,880	96%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	334,732	87%	Payment in advance	"	"	-	-	

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

Ho Tai Motor Co., Ltd. and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
 June 30, 2016

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

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 469,182	63.97	\$ -	None	\$ 469,182	\$ -
			Other receivables	18,868					
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	439,461	63.05	-	"	439,461	-
			Other receivables	18,235					
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable	304,806	66.56	-	"	304,806	-
			Other receivables	5,028					
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	255,177	10.48	-	"	255,177	-
			Other receivables	19,727					
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	Associates	Accounts receivable	243,356	72.58	-	"	243,356	-
			Other receivables	13,870					
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	190,874	59.31	-	"	190,874	-
			Other receivables	105,510					
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	324,410	59.06	-	"	324,410	-
			Other receivables	12,590					
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	Accounts receivable	149,787	36.67	-	"	55,608	-
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	Accounts receivable	106,146	52.17	-	"	44,178	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	Accounts receivable	117,744	9.30	-	"	117,744	-

Ho Tai Motor Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 902,690	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	532,648	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	255,177	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	299,434	Collection sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales allowances	122,588	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	1	Other cost of sales	57,129		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	117,744		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,222,560	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Accounts receivable	50,872	Close its accounts 7 days after the ended of each week, interest bearing from transaction date	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	185,243	Collection sight	-
1	Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	3	Accrued expense	199,411		-
2	Hotai Leasing Co., Ltd.	Hojung Motors Co., Ltd.	3	Sales revenue	50,234	7 days after invoice date	-
2	Hotai Leasing Co., Ltd.	Hohung Motor Co., Ltd.	3	"	78,596	7 days after invoice date	-
3	Ho Tai Development Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	74,366		-
4	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	389,411	Collection sight	-
5	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	510,695	Closes its accounts 16 days after the end of each month	1%
5	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Accounts receivable	108,204		-
6	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	93,400	Close its accounts 60 days after the end of each month	-
7	Hoton Motor Investment Co., Ltd.	Chonging Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	51,879		-
7	Hoton Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other receivables	129,190		-

Note 1 : The numbers filled for inter-company transactions are as follows:

- 1.The parent company is numbered "0".
- 2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

- 1.The parent company to the subsidiary.
- 2.The subsidiary to the parent company.
- 3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at ending period;
Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd. and Subsidiaries
Names, locations and other information of investee companies (not including investees companies in Mainland China)
Six months ended June 30, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2016			Net profit (loss) of the investee for the six months ended June 30, 2016	Investment income (loss) recognized by the Company for the six months ended June 30, 2016	Footnote
				Balance at June 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 650,182	\$ 650,182	-	100.00	\$ 7,678,636	\$ 533,423	\$ 533,423	Subsidiary Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	6,024,237	4,029,881	1,201,494	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	1,849,866	1,849,866	58,897,360	100.00	3,290,150	110,689	110,689	Subsidiary
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	265,000,000	100.00	3,353,266	161,407	161,407	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,969	2,098,969	15,000,000	20.00	2,354,873	345,328	67,528	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	1,951,341	351,426	164,480	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,333,514	1,333,514	15,153,573	20.00	1,342,373	229,861	43,635	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,290,006	207,924	38,483	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	12,240,000	51.00	1,140,187	383,412	195,540	Subsidiary
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	912,356	198,497	69,097	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.05	894,297	237,299	47,578	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	819,389	250,740	59,350	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	"	50,000	50,000	48,816,929	100.00	656,029	44,028	44,028	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	"	80,000	80,000	28,606,219	100.00	324,676	29,017	29,017	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	276,490	36,557	6,970	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	5,557	5,557	1,007,609	45.54	262,187	5,127	2,335	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	130,356	36,884	7,797	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes.	3,000	3,000	3,000	25.00	110,986	35,047	8,762	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	9,921	(523)	(105)	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	Equity investments in Mainland China, trading and repairing of vehicles and their parts	112,962	112,962	3,500,000	70.00	95,690	3,142	-	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	38,730	38,730	1,200,000	40.00	(2,283)	(9,858)	-	Subsidiary's investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2016			Net profit (loss) of the investee for the six months ended June 30, 2016	Investment income (loss) recognized by the Company for the six months ended June 30, 2016	Footnote
				Balance at June 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership				
							(%)	Book value			
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	\$ 779,742	\$ 779,742	231,183,006	66.03	\$ 5,259,179	\$ 591,656	\$ -	Subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of light passenger vehicles	181,907	181,907	70,395,061	66.04	1,830,795	206,739	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,475,571	18.29	248,971	17,671	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hojung Motors Co., Ltd.	"	Trading of used vehicles	12,000	12,000	1,770,270	20.00	23,608	9,174	-	Subsidiary
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	0.00	95	198,497	-	Investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	488,966	488,966	15,150,000	50.50	702,018	69,012	-	Subsidiary
Hotai Finance Co., Ltd.	Horung Motors Co., Ltd.	Taiwan	Trading of used vehicles	20,400	20,400	3,841,448	51.00	42,821	2,847	-	"
Hotai Finance Co., Ltd.	Hohung Motors Co., Ltd.	"	"	30,600	30,600	3,519,000	51.00	41,001	7,656	-	"
Hotai Finance Co., Ltd.	Hojung Motors Co., Ltd.	"	"	18,600	18,600	2,744,616	31.00	36,592	9,174	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	479,284	479,284	14,850,000	49.50	687,277	69,012	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	"	96,825	96,825	3,000,000	100.00	128,186 (2,518)	-	"
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	215,216	49,716	-	"
Ho Tai Development Co., Ltd.	Interface Communications Ltd.	"	Advertisement making	2,400	2,400	240,000	30.00	521	-	-	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	-	-	"
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	30,214 (523)	-	Subsidiary
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	8,241	5,314	-	"
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	96,825	96,825	3,000,000	100.00	128,186 (2,518)	-	"

Ho Tai Motor Co., Ltd. and Subsidiaries
Information on investments in Mainland China-Basic information
Six months ended June 30, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Net income of investee for the six months ended June 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2016	Book value of investment in Mainland China as of June 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2016	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	\$ 2,518,902	Note 1.1	\$ 369,549	\$ -	\$ -	\$ 369,549	\$ 112,785	100.00	\$ 112,785	\$ 3,142,374	\$ -	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	108,767	Note 1.1 Note 1.5	108,767	-	-	108,767	14,694	100.00	14,694	308,481	-	"
ChongQing Yuou Toyota Automobile Sales and Service Co., Ltd.	"	145,749	Note 1.1	11,861	-	-	11,861	-	10.50	-	11,861	-	"
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	"	96,825	Note 1.2	32,275	-	-	32,275	(9,858)	40.00	(3,943)	(2,283)	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	193,650	Note 1.1	193,650	-	-	193,650	25,866	100.00	25,866	692,001	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	96,825	"	96,825	-	-	96,825	18,877	100.00	18,877	152,103	-	"
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	161,375	Note 1.2	112,963	-	-	112,963	3,142	70.00	2,199	95,690	-	"
Shanghai Heling Motor Service Co., Ltd.	"	112,963	Note 1.3	84,722	-	-	84,722	41,972	100.00	41,972	348,221	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	145,749	Note 1.1	12,708	-	-	12,708	-	10.50	-	12,708	-	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	142,010	Note 1.7	142,010	-	-	142,010	(656)	100.00	(656)	112,959	-	"
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	300,158	Note 1.1	300,158	-	-	300,158	(12,117)	100.00	(12,117)	106,168	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	187,195	"	187,195	-	-	187,195	19,962	100.00	19,962	391,996	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	209,788	"	209,788	-	-	209,788	23,651	100.00	23,651	303,212	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	968,250	Note 1.6	968,250	-	-	968,250	69,012	66.03	45,568	971,085	-	"
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	48,583	Note 1.4	-	-	-	-	1,629	66.03	1,076	33,121	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	96,825	Note 1.6	96,825	-	-	96,825	(2,518)	45.01	(1,274)	57,694	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	387,300	Note 1.4	-	-	-	(4,869)	100.00	(4,869)	208,154	-	-	"
Tianjin Hozhan Motor Service Co., Ltd.	"	333,279	"	-	-	-	-	6,944	100.00	6,944	185,206	-	"
Linyi Hoyu Toyota Motor Sales and Service Co., Ltd.	"	387,300	"	-	-	-	(3,732)	35.00	(1,306)	76,586	-	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,926	Note 1.7	42,926	-	-	42,926	17,384	51.00	8,866	56,468	-	"
Guangzhou Gac Changho Autotech Corporation	"	103,065	"	46,379	-	-	46,379	25,526	22.95	5,858	40,775	-	"
Linyi Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	322,750	Note 1.4	-	-	-	(5,764)	35.00	(2,018)	46,720	-	-	"
Taizhou Kaudu Lexus Motor Sale Service Co.,Ltd.	"	484,125	"	-	-	-	(6,927)	35.00	(2,424)	126,482	-	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Net income of investee for the six months ended June 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2016	Book value of investment in Mainland China as of June 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Heling Lexus Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	\$ 387,300	Note 1.4	\$ -	\$ -	\$ -	\$ -	\$ 6,065	35.00	\$ 2,123	\$ 80,854	\$ -	Note 2.3
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	"	355,025	"	-	-	-	(15,757)		35.00	(5,515)	70,647	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	14,575	"	-	-	-	-	1,495	60.00	897	8,688	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Designing and manufacturing of various kinds of advertisements	4,858	"	-	-	-	(58)		100.00	(58)	4,802	-	"

Note 1: The investments are classified as follows:

- 1.Through investment in an existing company located in third area.
- 2.Investment in Mainland China companies through a company invested and established in a third region.
- 3.Investment in Mainland China companies through an existing company established in a third region and Mainland China.
- 4.Investment in Mainland China companies through an existing company established in Mainland China.
- 5.Including 25% of Shanghai Heling Motor Service Co., Ltd. shares with a book value of \$87,583 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 six months ended June 30, 2016 is based on:

- 1.The financial statements were audited by R.O.C parent company's CPA.
- 2.The financial statements were audited by other independent accountants in PricewaterhouseCoopers, Taiwan.
- 3.Others - the investment income (loss) was evaluated and disclosed in accordance with the unreviewed financial statements.

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 June 30, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ho Tai Motor Co., Ltd.	\$ 1,764,665	\$ 2,931,687	\$ 27,473,505