

Stock Code: 2227

YULON NISSAN

**YULON NISSAN MOTOR CO., LTD
ANNUAL REPORT 2015**



INFINITI Q30





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● **The names, address, and telephone number of the independent auditor:**

2015 Certified Public Accountant : Wan-Yi Liao and Chien-Hsin Hsieh.

Accountant Firm: Deloitte & Touche

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● **Listed in overseas stock exchange:** Nil

● **Company website at:** <http://www.nissan.com.tw>

Notice to readers

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I. Letter to Shareholders

Dear Shareholders,

The economic growth rate of Taiwan's economy in 2015 was merely 0.75% due to the impact from global trade recession. Nonetheless driven by the release of multiple new car models from the automobile makers and boost in purchasing new cars, the automobile market still managed to sell a total of 411,000 cars in 2015, only slightly down 0.9% compared with 2014. Yulon Nissan re-released the "perfect" NISSAN X-TRAIL in May 2015 and was ranked the first place in domestic SUV sales immediately after the release, driving the entire line of Nissan car sales to reach 43,416 cars with a market share of 10.6%, and securing the second place in the market.

In 2015, the car sales in Mainland China were 24,597,600 vehicles, up 4.7% in annual growth compared with 2014. The sales of Dongfeng Nissan passenger vehicles were 1,025,900 in 2015, up 7.5% compared with 2014. The revenue from the export of Yulon Nissan car components and spare parts to countries including Thailand, Malaysia, Pilipinas, Mainland China, South Korea, Japan, Egypt, Indonesia, and Vietnam, was NTD282 million.

In favor of new car release, investment in Mainland China and proceeds from component export, Yulon Nissan's consolidated revenues in 2015 reached NTD33,218 million with an annual increase of 0.1%, operating income of NTD1,235 million, annual growth rate of 57.1%, earnings before tax of NTD 5 billion, and earnings per share of NTD 13.89.

Yulon Nissan will continue to elaborate the brand philosophy in "security, comfort and energy-saving" in 2016 by implementing "product innovation" and "service innovation in response to the intensely competitive automobile market in Taiwan. With regards to new product introduction, the new MURANO HYBRID was released, featuring ultra-power performance and speeding performance, race-car superior drag coefficient, highest standard of comprehensive security protection, luxuriously comfortable interior fittings and other quality product features. The new release is expected to be a supplement to the existing SUV products to effectively upgrade the competitive advantage of product portfolio. INFINITI brand will launch its first luxurious metropolitan passenger car Q30 that integrates the streamline style of 2-door Coupe and the spatial setting of small RV in attempt to drive to another momentum of sales growth. With regards to service innovation, Yulon Nissan was awarded with the non-luxurious car champion in both "2015 Taiwan Post-Sales Customer Service Index (CSI)" and "2015 Taiwan Car Sales Service Index (SSI)" conducted by J. D. Power in 2015. Yulon

Nissan has demonstrated high standard of sales and service quality, and will continue to improve the hardware/software equipment in 2016 with the use of innovative information technology and quick fixes to improve customer satisfaction. INFINITI on contrary follows the “IREDI (INFINITI Retail Environment Design Initiative)” to upgrade the distribution offices by creating spacious, bright and galley-like showroom while applying P.C.E (Premium Customer Experience) of five-star prestigious services to provide customers with beautiful experience of hospitality.

With regards to automobile market in Mainland China and according to the China Association of Automobile Manufactures, the overall growth rate of automobile market is estimated at 5%~7% under the incentives of policy on purchase tax by half. Deng Feng Nissan is projecting to take challenge in car sales volume over 1.08 million units, up 5% compared with the growth rate from last year. Moreover, Yulon Nissan will continue to expand the items component exports in 2016 in order to create greater momentum of growth for the company revenue.

Looking into the future and under the support from all shareholders and efforts from all employees, Yulon Nissan will continue to increase revenue and profits through the strengthening of products, services and brand value. Yulon Nissan is confident in maximizing the benefits from the intensely competitive market.

Finally we would like to express our gratitude for the support from all shareholders on behalf of all employees at Yulon Nissan Motor Co., Ltd. We wish your health and success. Thank you.

Chairman Kenneth K. T. Yen

1. 2015 Operating Performance:

(1) Operating Performance

Unit : NTD thousand

Item \ Fiscal Year	Fiscal year 2015	Fiscal year 2014
Operating Revenue	33,218,394	33,176,837
Profit Before Tax	4,999,687	8,026,677
Net Profit For The Year	4,165,901	6,523,759
Earnings Per Share	13.89	21.75

(2) Profitability Analysis perating Performance

Item \ Fiscal Year	Fiscal year 2015	Fiscal year 2014
Profit Margin On Sales	3.72%	2.37%
Income after Tax (%)	12.54%	19.66%
Return on assets (%)	12.40%	18.26%
Return on equity (%)	17.04%	25.11%

(3) Comparison of Sales Performance in Major Competitors

Brands \ Fiscal Year	Fiscal year 2015		Fiscal year 2014	
	units	share	units	share
NISSAN	43,416	10.6%	47,740	11.5%
TOYOTA	135,431	33.0%	142,173	34.3%
MITSUBISHI	42,048	10.2%	43,180	10.4%
HONDA	27,639	6.7%	24,607	5.9%
FORD	21,944	5.3%	24,705	6.0%
OTHER	140,221	34.2%	131,893	31.9%
TOTAL	410,699	100.0%	414,298	100.0%

2. Highlights of Business Operation Plans for 2016 :

(1) Management Guidelines

Yulon Nissan integrates the abundant management resources from Nissan Motor Company Global and Yulon Group to develop the following company management guidelines:

1. Build strategy-oriented organizations to form sustained competitive advantage.
2. Lead the market trends and style through innovative products and services.
3. Use macro environmental resources to create synergies for business operation.
4. Implement profit growth model to maximize values for customers.

(2) Expected Business Objectives

To strengthen the permeability of brand commutation and brand publication, the company emphasizes the development on “brand image communication,” and promoting advertising and promotional

performance,” to effectively convert brand value into the performance of market sales. Meanwhile the core advantage of models are developed with high explicitness, high usability, high technology, and high price-performance-ratio, creating the appealing products that meet consumer requirement and forming portfolios of best-model sales through the complementary strategies between domestic cars and imported cars. Moreover, the company applies customer value promotion campaigns held for years to gradually establish a benchmark enterprise of example in customer satisfaction. Through solid foundation of competitiveness, the company will stabilize the growth in intensely competitive market and re-produce excellence in operating performance.

3. Future Development Strategy Of The Company :

(1) Implement reforms in management system

Establish strategy oriented learning organization with improvement to emphasize on innovative corporate culture as key development, which not only encourages employees to constantly learn and grow but also enhance the efficiency of organization operation.

(2) Taking initiative in following up the progress in ECFA and expanding the planning of operational development

By following the progress in ECFA, the company re-reviews the cross-strait production planning and expanding the complementary architecture of strategies with the partners to integrate cross-strait market, using more active and flexible cooperation and division of labor to create higher operational performance.

(3) Coping with Global Eco-Friendly Trend to Develop Clean Vehicle

The company will continue to expand the introduction of eco-friendly clean vehicles to build the image of green brand, establishing the vision of green traffic and implementing the concept of co-existence in people, cars and nature.

(4) Positive response to the government policy on subsidy for replacement commodity tax, strengthening marketing strategy and establishing convenient exchange process

The consumer intent to purchase new cars in replacement has effectively been increased since the government announced the implementation of policy on commodity tax quota reduction for replacement of old cars in 2016. To grasp this policy trend and implement the brand philosophy of “security, comfort and energy-saving,” Yulon Nissan will design the marketing strategy with more ambition and establish an integrated management process in order to provide the best services and quality for control of policy associated business opportunities.

4. Impact of External Environment (including competitors, regulations, macroeconomics and other factors) :

The drastic drop in oil price, surging demand to change new cars and driven by different car makers releasing new models, the growing momentum of automobile market gradually improves. Nonetheless the 2016 economic environment is still subject to the impact of uncertainty factors such as the U.S. quantitative easing withdrawal, EU activation of QE easing policy, drastic fall and rise of currencies in different economic and trade regions of the world, and fluctuations in raw material price. To sustain the demand for corporate growth, the company has taken initiative in the planning and development of long and short-term strategy actions in different stages to assure corporate sustainability and long-term profiting performance.

II. Company Brief Introduction

1. Established Date:

October 22, 2003.

2. Highlights of Development:

- Oct. 2003: To enhance competitiveness, participate in international division of labor and carry out the professional management, Yulon Motor spun off R&D, sales and other businesses to set up this company in accordance with corporation merge and acquisition regulations. The capital was NT 3bn. Yulon Motor owned 100% of the shares of this company at the time of its establishment and has transferred 40% of the shares to Nissan Motor on Oct. 30 2003.
- May 2004: Established Philippines subsidiary - Yi-Sheng Co., Ltd.
- Jun. 2004: The company's stock processed a public issuance.
- Sep. 2004: A new selection of an upgraded large sedan, the NISSAN TEANA was superbly launched.
- Nov. 2004: NISSAN has been certified with ISO 9001 and ISO 14001.
- Dec. 2004: Yulon Nissan Motor Co., Ltd., went IPO officially.
- Mar 2005: The largest innovation contest "2005 Innovation Award of Yulon Nissan Motor" began.
- Jun 2005: Gorgeous INFINITI M35/G35 Coupe was launched.
- Jul 2005: Yulon Motor and Yulon Nissan Motor donated NTD 1 million to the Environment Protection Bureau for purchasing Group Accident Insurance for the entire part-time workers.
- Jul 2005: INFINITI flagship opened in AUTOMALL Shindian.
- Sep 2005: Yulon Nissan Motor was awarded the most satisfied automaker of non-luxury cars in Taiwan by J.D.POWER.
- Dec 2005: The stylish and innovative NISSAN MURANO took the field in Taipei car fair.
- Mar. 2006: The INFINITI T.O.E. service system was formally launched.
- Mar. 2006: Infinite possibility of power and sexiness – the charming INFINITI FX45/35 was available in the market.
- May 2006: Yulon Nissan Motor was honored to receive the Model Award for CSR Award from GV magazine.
- Jun. 2006: The whole new NISSAN TIIDA featuring "Magical Big Space" made its stage debut.
- Jul. 2006: "Stay Rooted in Taiwan and Take a Broad View Internationally" – the construction of the new Yulon Nissan Design Center started.
- Aug. 2006: Yulon Nissan Motor was honored to receive the award as the automobile manufacturer with the highest proportion of export to Japan.
- Oct. 2006: Yulon Nissan Motor received the "National Standardization Award" from the Ministry of Economic Affairs, R.O.C.
- Dec. 2006: Satisfaction with NISSAN increased once again. The 3 year/100,000 km extended warranty was available in coming January.
- Dec. 2006: The brand new NISSAN BLUEBIRD was available in the market.
- May 2007: Yulon Nissan Motor received "the Third Anniversary of Great Vision Magazine Society Responsibility Award 2007"
- Jun. 2007: Yulon Nissan Motor received "Certification of NISSAN secure burglarproof code" from Ministry of the Interior.
- Oct. 2007: Yulon Nissan Motor launched X-level SUV of NISSAN LIVINA 1.6L and 1.8L.
- Nov. 2008: Launch of NISSAN GT-R press conference
- Dec. 2008: Launch of NISSAN Rogue press conference
- Dec. 2008: Yulon Nissan Green Program to sponsor pandas Tuantuan and Yuanyuan
- Jan. 2009: NISSAN was awarded the No. 1 Ideal Domestic Car Brand
- Apr. 2009: Launch of NISSAN ALL NEW TEANA of car craft revitalization
- Jul. 2009: Kick-off of the "NISSAN Green Power Camp"
- Sep. 2009: Some ten thousand drivers gathered in "an Adventurous NISSAN Day in Resort" for an energy-saving, carbon-reducing and earth-loving ride
- Nov. 2009: NISSAN ROUGE won Car of the Year Award of CarNews as the best imported Crossover of the year
- Dec. 2009: ALL-New INFINITI M unveiled in Taipei Auto Show with the 2.5L model announced

	simultaneously
May 2010:	NISSAN TIIDA has been awarded by the Environmental Protection Department the “Annual Green Car” for three consecutive years.
May. 2011:	Yulon-Nissan took the lead in cooperating with Taichung City Government in jointly implementing the Smart Electric Car Pilot Program initiated by the Ministry of Economic Affairs.
Sep. 2011:	NISSAN was awarded the ninth “Excellent Service Award” by Global Views Magazine.
Jul. 2012:	The brand new 7-seat INFINITI JX series were launched.
Dec. 2012:	NISSAN BIG TIIDA hatchbacks and turbocharged cars was launched.
Feb. 2013:	Grand opening of INFINITI IREDI showroom in Xindian, New Taipei City, Taiwan.
May 2013:	NISSAN BIG TIIDA Turbo hailed as the green car of the year 2013.
May 2013:	INFINITI sponsoring Cirque du Soleil shows in Taiwan to increase visibility among top-level customers.
Oct. 2013:	Introduction of all new NISSAN SUPER SENTRA.
Jan. 2014:	Fist issue of INFINITI Automobile Magazine was released.
Feb. 2014:	2014 INFINITI FX Q60/Q70 launched.
Mar. 2014:	NISSAN ALL NEW LIVINA was launched.
Mar. 2014:	NISSAN SUPER SENTRA was awarded with the “2014 Best Domestic Midsize Car” from Car of the Year Awards Taiwan.
May. 2014:	NISSAN NEW MARCH was awarded with the 2014 Eco-Friendly Car from EPA, Executive Yuan.
Jul. 2014:	INFINITI QX60 Hybrid was first launched.
Sep. 2014:	INFINITI Q50 was launched.
Dec. 2014:	“External wildness and inner beauty.” SENTRA aero 1.8L was first release to worldwide.

3. 2015 Operation Results:

Jan. 2015:	INFINITI QX60 premium was launched.
Feb. 2015:	NISSAN CAR SPA flagship store was opened.
Mar. 2015:	Power saving NISSAN ALL NEW LIVINA 2015 was officially released.
Mar. 2015:	INFINITI Automobile Magazine was released.
Mar. 2015:	INFINITI Q50 2015 model was launched.
May. 2015:	NISSAN “perfect” X-TRAIL was launched.
May. 2015:	INFINITI QX60 2015 model was launched.
Jun. 2015:	300 units of NISSAN BIG TIIDA “SR Series” were launched in Taiwan under limited edition.
Jun. 2015:	NISSAN ALL NEW LIVINA “Fully Furnished” model was released.
Jul. 2015:	Yulon Motors and Yulon Nissan donated one million of accident insurance premiums to benefit the civil temporary works at Department of Environmental Protection, Taipei City.
Jul. 2015:	INFINITI Q50 Color was launched.
Sep. 2015:	2016 NISSAN JUKE with original English race car package was launched.
Sep. 2015:	INFINITI Q50 2.0t – Ultra momentum was launched.
Oct. 2015:	INFINITI car owner golf tournament campaign was completed with success.
Oct. 2015:	NISSAN J.D. Power dual champion in 2015 non-luxury Customer Service Index (CSI) and Sales Satisfaction Index (SSI).
Nov. 2015:	INFINITI Q60 camping model was launched.
Dec. 2015:	NISSAN SUPER SENTRA 2016 revolutionary model was launched.
Dec. 2015:	INFINITI Q50 2016 model was launched.
Dec. 2015:	INFINITI Q30/Q80 conceptual car debuted at the Taipei Auto Show.

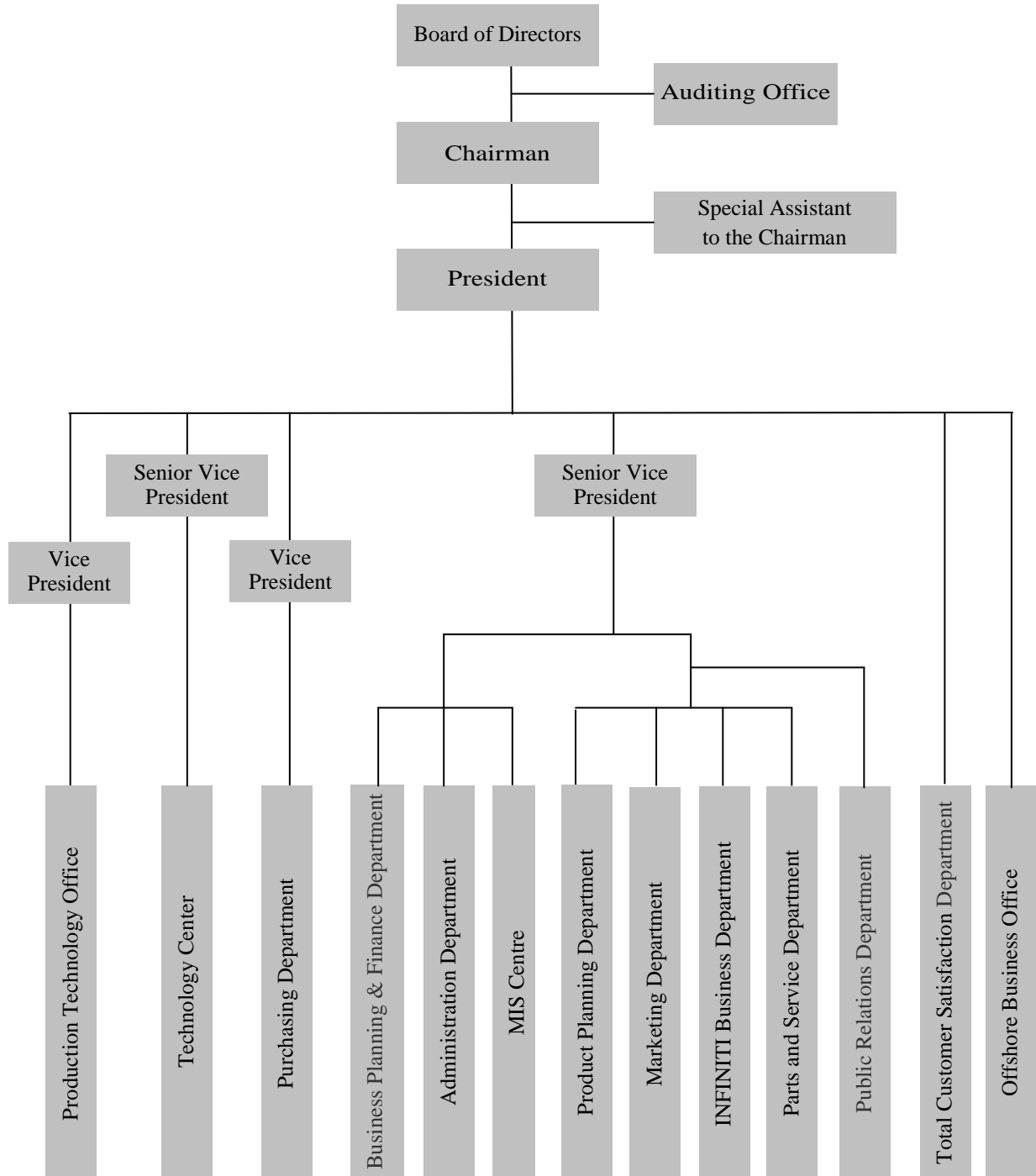
4. Others

1. Mergers & Acquisitions, invested companies and reconstructions in fiscal year 2015 and until the Annual Report published date: Nil
2. Large Transfer volume or Changes made by the Board Members, Supervisors or Big Shareholders holding more than 10% shares in fiscal year 2015 and until the Annual Report published date: Nil
3. Change of Business Operation Rights and other important matters that are enough to influence the shareholders equity in the fiscal year 2015 and until the Annual Report published dated: Nil

III. Company Management Report

1. Organizational System:

(1) Organization chart:



(2) Organization Functions

Department Title	Occupational Activities
Auditing Office	Establish a Strong, Reasonable and Effective Internal Control System
Product Planning Department	<ol style="list-style-type: none"> 1. Planning and guiding a product that conforms to the market needs and with competitive strength 2. Plans IT product and strategy, enhance the product's added value 3. Conduct market survey and information gathering; get hold of consumer's requirements and evaluation on the product 4. Perform long term pricing management, institute accurate pricing strategy so as to ensure product competitive strength
Marketing Department	<ol style="list-style-type: none"> 1. Brand Marketing Planning and Management 2. Strengthen the difference strategy buildup the brand value 3. Management and motivation of Dealers as well as management of car production, sales and distribution
INFINITI Business Department	<ol style="list-style-type: none"> 1. Plans Brand Operation Strategy, and building up brand's value 2. Distribution channel development, planning and implementing operation management criteria 3. Actively utilize market information, to predict and guide the marketing direction 4. Regulation and implementation of service policy and management standards 5. Planning and implementation of educational training for Distributors
Parts and service Department	<ol style="list-style-type: none"> 1. Regulation and implementation of service policy and standard management 2. Planning and deployment of educational training for the Dealers 3. Establish and deployment of customer satisfaction enhancement standard and management 4. Parts distribution and management 5. Parts procurement and inventory volume control
Total Customer Satisfaction Department	<ol style="list-style-type: none"> 1. Planning and promotion of the QA strategies and the QA system 2. Quality supervision business 3. Product quality information feedback and improvement
Technology Center	<ol style="list-style-type: none"> 1. Car model and parts development 2. Subcontracted parts component quality verification and engineering specification test confirmation 3. Vehicle's Regulation related verification/application and supervisory confirmation
Purchasing Department	<ol style="list-style-type: none"> 1. Purchasing business planning and management, and parts subcontractors management 2. Car parts purchasing
Production Technology Office	<ol style="list-style-type: none"> 1. Deployment, production and sorting of the manufacturing plans 2. Equipment Investment Planning, applying, and management 3. Technology Information Authorization 4. Planning and Deployment of Factory Annual Plans 5. As a window between the NML, responsible for technology guidance and assigning, maintenance research
Business Planning & Finance Department	<ol style="list-style-type: none"> 1. Operation Planning, monitoring and management of achieving goals 2. Management of fund utilization and Avoid foreign currency risk 3. Law, Stock Affair, Shareholders Meeting relevant business 4. Provide analysis data of Corporate Financial Meeting, Taxation relevant business and operation
Administration Department	<ol style="list-style-type: none"> 1. Human Resources Management and Labor-Capital Relation Development and Benefits Planning 2. General miscellaneous affairs management
MIS centre	System Maintenance and management
Public Relations Department	Planning and implementation of public relation image activities
Offshore Business Office	<ol style="list-style-type: none"> 1. Stipulating the Offshore Business Strategy Plans and Target control 2. Management of Offshore Business 3. Investment Evaluation of Offshore Business

2 Information of Directors, Supervisors, President, Senior Vice President, Vice President, General Manager :

(1) Directors and Supervisors' Information:

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Chairman	R.O.C	Yulon Motor Co., Ltd. Representative: Kenneth K. T. Yen	2015.6.30	3	2003.10.01	180,000,000 *	60.00 *0.00	143,500,000 *	47.83 *0.00
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Kuo-Rong Chen	2015.6.3	3	2003.10.01	180,000,000 * 0	60.00 *0.00	143,500,000 * 5,000	47.83 *0.00

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Current shareholding of spouse and minor children		Shareholdings in the names of others		Main Experience (Education)	Positions concurrently held in this company and other company Shares	Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative		
Shares	Share Holding	Shares	Share Holding			Title	Name	Relationship
0	0.00	0	0.00	Honorary Doctor of Commerce, University of Saint John, USA Honorary Doctor of Management, National Chiao Tung University	Chairman, Yulon Motor Co., Ltd. Chairman, China Motor Corporation. Chairman, Tai-Yuen Textile Co., Ltd. Chairman, Hwa-chuan Auto Technology Center Co., Ltd. Chairman, Hui-Fong Motor Co., Ltd. Chairman, Hualing Motor Co., Ltd. Chairman, LUXGEN Motor Co., Ltd. Director, Southeast (Fujian) Motor Co., Ltd. Chairman, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation Chairman, Vivian Wu Journalism Award Foundation Chairman, Vivian Wu Industry and Commerce ECCC Foundation Please refer to the "Information on Affiliated Companies" for details.	Nil	Nil	Nil
0	0.00	0	0.00	NCTU Executive Master of Business Administration	Vice Chairman, Yulon Motor Co., Ltd. Special Assistant to the Chairman, Yulon Nissan Motor Co., Ltd. Director, China Motor Corporation Chairman, Taiwan Acceptance Corporation Director, Tai-Yuen Textile Co., Ltd. Director, Hwa-chuan Auto Technology Center Co., Ltd. Vice Chairman, Luxgen Motor Co., Ltd. Director, Dongfeng Yulon Motor Co., Ltd. Vice Chairman, Guangzhou Aeolus Automobile Motor Co., Ltd. Vice Chairman, Aeolus Automobile Motor Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation. Director, Vivian Wu Journalism Award Foundation Please refer to the "Information on Affiliated Companies" for details.	Nil	Nil	Nil

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Wen -Rong Tsay	2015.6.30	3	2011.3.21	143,500,000 *	47.83 *0.00	143,500,000 *	47.83 *0.00
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Zhen -Xiang Yao	2015.6.30	3	2013.4.1	143,500,000 *	47.83 *0.00	143,500,000 *	47.83 *0.00
Director	Japan	Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi	2015.6.30	3	2011.3.21	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00

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Current shareholding of spouse and minor children		Shareholdings in the names of others		Main Experience (Education)	Positions concurrently held in this company and other company	Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative		
Shares	Share Holding	Shares	Share Holding			Title	Name	Relationship
0	0.00	0	0.00	NCTU Executive Master of Business Administration	President, Yulon Nissan Motor Co., Ltd. Director, Taiwan Acceptance Corporation Director, Tokio Marine Newa Insurance Co., Ltd Chairman, Yue Sheng Industrial Co., Ltd. Director, Jet Ford, Inc. Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Aeolus Xiangyang Automobile Co., Ltd. Chairman, Shenzhen Lan You Technology Co., Ltd. Director, Dong Feng Yulon Used Cars Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation	Nil	Nil	Nil
0	0.00	0	0.00	Department of Mechanical Engineering, National Taiwan University of Science and Technology Master of International Business Management, Curtin University of Technology	Director and President, Yulon Motor Co., Ltd. Director, Taiwan Acceptance Corporation Director, Lexgen Motors Co., Ltd. Director, China Engine Corporation	Nil	Nil	Nil
0	0.00	0	0.00	Bachelor of Commerce, Commercial Science, Waseda University, Japan	VP, China Division GM, Nissan Motor Co., Ltd. President, Nissan (China) Investment Co., Ltd. Director, Dongfeng Motor Co., Ltd. Director, Dongfeng Nissan Auto Finance Co., Ltd. Nil	Nil	Nil	Nil

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Director	Japan	Nissan Motor Co., Ltd. Representative: Atsushi Kubo	2015.6.30	3	2012.7.1	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Director	Japan	Nissan Motor Co., Ltd. Representative: Junichi Otori	2015.6.30	3	2014.04.1	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Director	Japan	Nissan Motor Co., Ltd. Kenji Shimoyama	2015.6.30	3	2015.6.30	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Independent Director	R.O.C	Jin-Shun Wu	2015.6.30	3	2015.6.30	0	0.00	0	0.00
Independent Director	R.O.C	Robert Mao	2015.6.30	3	2003.10.01	0	0.00	0	0.00

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Current shareholding of spouse and minor children		Shareholdings in the names of others		Main Experience (Education)	Positions concurrently held in this company and other company	Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative		
Shares	Share Holding	Shares	Share Holding			Title	Name	Relationship
0	0.00	0	0.00	Bachelor of Political Science and Economics, Waseda University, Japan	General Manager of China Department, Nissan Motor Co., Ltd. Director, Zhengzhou Nissan Auto Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Master of Engineering, Faculty of Engineering, Musashi Institute of Technology,	SVP, Yulon-Nissan Motor Co., Ltd	Nil	Nil	Nil
0	0.00	0	0.00	Bachelor of Engineering, Department of Mechanical Engineering, Kogakuin University, Japan	VP, Yulon Nissan Motor Co., Ltd	Nil	Nil	Nil
0	0.00	0	0.00	Master of Professional Accounting, National Chengchi University	Remuneration Committee member of Yulon Motor Co. Ltd. Remuneration Committee member of Taiwan Acceptance Corporation Remuneration Committee member of Kian Shen Corporation Independent Director and Remuneration Committee member of Evergreen Marine Corporation (Taiwan) Ltd. Independent Director and Remuneration Committee member of On-Bright Electronics Incorporated Supervisor of Kinik Company Supervisor of Kwong Lung Enterprise Co. Ltd. Remuneration Committee member of Great China Metal Ind. Co. Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Master of Management, Massachusetts Institute of Technology, U.S.A Master of Engineering, Cornell University, U.S.A	Chairman, Hewlett-Packard Company in China Independent Director, China Motor Corporation	Nil	Nil	Nil

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Supervisor	R.O.C	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li	2015.6.30	3	2012.7.1	1,880,000 *	0.63 *0.00	1,878,000 *	0.63 *0.00
Supervisor	R.O.C	Wei Wen Investment Co., Ltd Representative: Tai-Ming Chen	2015.6.30	3	2013.6.14	1,878,000 *	0.63 *0.00	1,878,000 *	0.63 *0.00
Supervisor	Japan	Toru Nakano	2015.6.30	3	2015.6.30	0	0.00	0	0.00

* which are personal owned

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Current shareholding of spouse and minor children		Shareholdings in the names of others		Main Experience (Education)	Positions concurrently held in this company and other company	Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative		
Shares	Share Holding	Shares	Share Holding			Title	Name	Relationship
0	0.00	0	0.00	Member of New York Bar MBA, J.L. Kellogg Graduate School of Management, Northwestern University/Hong Kong University of Science & Technology LLM, New York University Law Graduate School, U.S.A. LLB, National Taiwan University Law Department	Chief Counselor, Lee & Li Attorneys-at-Law Chairman, Lee & Li Foundation Director, Yen Tjing Ling Medical Foundation Director, Far Eastern Medical Foundation Director, Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation Director, Far Eastern Memorial Foundation Director, Tai-Yuen Textile Co., Ltd. Director, Diamond Hosiery & Thread Co., Ltd. Director, Far Eastern New Century Corporation Supervisor, Asia Cement Corporation	Nil	Nil	Nil
0	0.00	0	0.00	Member of New York Bar Adjunct Assistant Professor, National Chengchi University LL. B., National Taiwan University LL. M., Boston University	Partner, Jones Day Supervisor, China Motor Corporation Director, Taiwan Acceptance Corporation Independent Director, Simplo Technology Co., Ltd. Supervisor, Carnival Industrial Corp	Nil	Nil	Nil
0	0.00	0	0.00	Master of Business Administration, The George Washington University, U.S.A. Bachelor of Science in Mechanical Engineering, West Virginia University, U.S.A	Deputy General Manager of Budget and Accounting Department, Nissan Motor Co., Ltd.	Nil	Nil	Nil

The Major Stockholders of Corporation Shareholders

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Names of Major Stockholders	The Major Stockholders of Corporation Shareholders
Yulon Motor Company Ltd.	1. Tai Yuen Textile Co., Ltd., (18.11%) 2. China Motor Co., Ltd., (15.06%) 3. Kenneth K. T. Yen (10.18%) 4. Nanshian Life Insurance Co., Ltd. (4.39%) 5. Hua Li Investment Co., Ltd. (1.61%) 6. Management of Board Public Service Pension Fund (1.58%) 7. Fan De Investment Co., Ltd. (1.51%) 8. Mercuries Life Insurance Co., Ltd. (1.22%) 9. Yen Tjing-Ling Industrial Development Foundation(1.09%) 10. Labor Insurance Fund (0.99%)
Nissan Motor Co., Ltd.	1. Renault(43.7%) 2. The Chase Manhattan Bank, N.A. London. Special Account No.1(3.20%) 3. State Street Bank & Trust Company(2.89%) 4. Japan Trustee Services Bank (Shintaku-guchi) (2.73%) 5. The Master Trust Bank of Japan Ltd. (Trust)(2.32%) 6. Japan Trustee Services Bank (Shintaku-guchi 9) (1.45%) 7. Nippon Life Insurance Company (1.20%) 8. State Street Bank & Trust Company 505223 (1.19%) 9. JP Morgan Chase Bank 385632(1.04%) 10. The Bank of New York, Mellon SA/NV 10 (1.03%)
Wei Wen Investment Co., Ltd.	1. Kenneth K. T. Yen (99.4%) 2. Wei Tai Investment Co., Ltd.(0.1%) 3. Le Wen Investment Co., Ltd. (0.1%) 4. Fan De Investment Co., Ltd. (0.1%) 5. Jing Yu Investment Co., Ltd. (0.1%) 6. Yu Xin Investment Co., Ltd. (0.1%) 7. Lilian Chen (0.1%)

If the Legal Persons are the Major Shareholders, their major Stockholders

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Legal Person's Name	Shareholders of Natural persons
1. Tai-Yuen Textile Co., Ltd.	1. Yulon Motor Company Ltd. (20.85%) 2. Yen Tjing-Ling Industrial Development Foundation (14.24%) 3. Hoffman Brothers Investment Co., Ltd. (9.80%) 4. Evans Co., Ltd. (9.71%) 5. Westbridge Investment Co., Ltd. (9.13%) 6. Lee Yuan Investment Co., Ltd. (7.17%) 7. Yun Shueng Investment Corp. (6.82%) 8. Ly Pon Investment Corp. (5.61%) 9. Diamond Hosiery & Thread Co., Ltd. (4.55%) 10. Yuen Wei Investment Corp. (3.10%)

Legal Person's Name	Shareholders of Natural persons
2.China Motor Co., Ltd.	1. Tai-Yuen Textile Co., Ltd. (25.18%) 2. Mitsubishi Motors Co., Ltd. (14.00%) 3. Yulon Motor Company Ltd. (8.05%) 4. Diamond Hosiery & Thread Co., Ltd. (6.76%) 5. Mitsubishi Corp. (4.79%) 6. Cathay Life Insurance Co., Ltd. (2.96%) 7. Nanshian Life Insurance Co., Ltd. (1.71%) 8. Kenneth K. T. Yen (1.20%) 9. New Labor Pension Fund (0.99%) 10. Deutsche Bank.(0.92%)
3. Nanshian Life Insurance Co., Ltd	1.Trust Account of First Bank hoding by Ruen Chen Investment Holding Co., Ltd. (76.46%) 2. Ruen Chen Investment Holding Co., Ltd. (14.16%) 3. Ying-Zong DU (3.25%) 4. Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%) 5. Ruen Tai Leasing Co., Ltd. (0.15%) 6. Ji Pin Investment Co., Ltd. (0.11%) 7. Wen-Te KUO (0.11%) 8. Nan Shan Life Insursance Stoct Trust Account of Taishin Bank. (0.06%) 9. Pao Hui Investment Co., Ltd. (0.05%) 10. Pao Huang Investment Co., Ltd. (0.05%) 11. Pao Yi Investment Co., Ltd. (0.05%) 12. Pao Chih Investment Co., Ltd. (0.05%)
4.Hua Li Investment Co., Ltd.	China Motor Co., Ltd. (100%)
5. Management of Board Public Service Pension Fund	Non-juristic person, not applicable
6.Fan De Xin Investment Co., Ltd.	1. Wei Wen Investment Co., Ltd. (33.30%) 2. Wei Tai Investment Co., Ltd. (33.36%) 3. Le Wen Investment Co., Ltd. (33.30%) 4. Jerry Chu (0.02%) 5. Wei-Kung Chi (0.02%)
7. Mercuries Life Insurance Co., Ltd.	1. Mercuries & Associates Holding Ltd (44.47%) 2. Shang Lin Investment Co., Ltd (6.2%) 3. Shu Ren Investment Co., Ltd (5.52%) 4. Mercuries Fu Bao Ltd (2.9%) 5. Labor Pension Fund (the New Fund) (1.62%) 6. Shin Kong Life Insurance Co., Ltd. (1.08%) 7. Trust Account of HSBC Institutional Trust Services (Asia) Limited by Value Partners High-Dividend Stocks Fund (0.89%) 8 NAPOLI Co.,Ltd (0.61%) 9. UBS LIMITED-SBL DESK (0.58%) 10. BGF Global SmallCap A2 USD (0.58%)
8. Yen Tjing-Ling Industrial Development Foundation	Non-juristic person, not applicable
9. Labor Insurance Fund	Non-juristic person, not applicable
10.Renault	1.French State(19.74%) 2.Nissan Finance Co., Ltd.(15%) 3.Daimler AG(3.10) 4.Other Shareholders: Subject to local restrictions, not available

Legal Person's Name	Shareholders of Natural persons
11.The Chase Manhattan Bank, N.A. London. Special Account No.1	Subject to local restrictions, not available
12. State Street Bank & Trust Company.	Subject to local restrictions, not available
13.Japan Trustee Services Bank (Shintaku-guchi)	Subject to local restrictions, not available
14.The Master Trust Bank of Japan, Ltd. (Trust)	1.Mitsubishi UFJ Trust and Banking Co.,Ltd.(46.5%) 2.Nippon Life Insurance Co.,Ltd.(33.5%) 3.Meiji Yasuda Life Insurance Co.,Ltd.(10%) 4.The Norinchukin Trust & Banking Co.,Ltd.(10%)
15. Japan Trustee Services Bank (Shintaku-guchi 9)	Subject to local restrictions, not available.
16. Nippon Life Insurance Company	Subject to local restrictions, not available.
17.State Street Bank & Trust Company 505223	Subject to local restrictions, not available.
18.JP Morgan Chase Bank 385632	Subject to local restrictions, not available.
19. The Bank of New York, Mellon SA/NV	Subject to local restrictions, not available.
20. Wei Tai Investment Co., Ltd.	1. Kenneth K. T. Yen (99.88%) 2. Wei Wen Investment Co., Ltd. (0.02%) 3. Fan De Investment Co., Ltd. (0.04%) 4. Lilian Chen (0.02%) 5. Jerry Chu (0.02%) 6. Wei-Kung Chi (0.02%)
21. Le Wen Investment Co., Ltd.	1. Kenneth K. T. Yen (99.88%) 2. Wei Wen Investment Co., Ltd. (0.04%) 3. Fan De Investment Co., Ltd. (0.04%) 4. Lilian Chen (0.02%) 5. Wei-Kung Chi (0.02%)
22. Jing Yu Investment Co., Ltd...	1. Evans Co., Ltd. (99.96%) 2. Wei Tai Investment Co., Ltd. (0.007%) 3. Fan De Investment Co., Ltd. (0.007%) 4. Wei-Kung Chi (0.007%) 5. Jack Huang (0.007%) 6. Henry Wang(0.006%) 7. Shu-Jun Chen (0.006%)
23. Yu Xin Investment Co., Ltd.	1. Evans Co., Ltd. (99.96%) 2. Wei Tai Investment Co., Ltd. (0.007%) 3. Fan De Investment Co., Ltd. (0.007%) 4. Wei-Kung Chi (0.007%) 5. Jack Huang (0.007%) 6. Henry Wang(0.006%) 7. Shu-Jun Chen (0.006%)

Professionalism and Independence of Directors and Supervisors

Name	Conditions	With over 5 years of work experience and the following professional qualifications			Conformed to the requirements of Independence (Note 1)										Number of director posts held concurrently for other publicly listed companies	
		Lecturer (or above) of public/private colleges/universities for relevant subjects required for business, law, finance, accounting or company businesses	Specialized and technical personnel with national exam qualified certificates required for judges, public procurators, lawyers, accountants or other company businesses	Work experience required for business, law, finance, accounting or company businesses	1	2	3	4	5	6	7	8	9	10		
Yulon Motor Co., Ltd. Representative: Kenneth K. T. Yen				v			v	v				v	v			
Yulon Motor Co., Ltd. Representative: Kuo-Rong Chen				v			v	v				v	v			
Yulon Motor Co., Ltd. Representative: Wen -Rong Tsay				v			v	v				v	v			
Yulon Motor Co., Ltd. Representative: Zhen -Xiang Yao				v			v	v				v	v			
Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi				v			v	v				v	v	v		
Nissan Motor Co., Ltd. Representative: Atsushi Kuboi				v			v	v				v	v	v		
Nissan Motor Co., Ltd. Representative: Junichi Ohori				v			v	v				v	v	v		
Nissan Motor Co., Ltd. Representative: Kenji Shimoyama				v			v	v				v	v	v		
Jin-Shun Wu		v		v	v	v	v	v	v	v	v	v	v	v	v	2
Robert Mao				v	v	v	v	v	v	v	v	v	v	v	v	1
Wei Wen Investment Co., Ltd. Representative: Kwan-Tao Li		v		v	v	v	v	v	v	v	v	v	v	v		
Wei Wen Investment Co., Ltd. Representative: Tai-Ming Chen	v	v		v	v	v	v	v	v			v	v		1	
Toru Nakano				v			v	v				v	v	v		

Note: Directors and supervisors who meet the following conditions 2 years prior to the election and during the post, are marked "v" in each qualification columns.

- (1) Not an employee of the company or its affiliates
- (2) Not a director or a supervisor of the company or its affiliates (excluding the independent directors of the company's or the mother company's subsidiaries that directly or indirectly hold over 50% shares of the voting right)
- (3) Not a natural person shareholder who or whose spouse, minor child, or who on behalf of other people, holds over 1% of the company's total issued shares or is one of the first 10 shareholders
- (4) Not a spouse, or within a second-degree relative or a fifth-degree direct relative of the above 3 parties
- (5) Not a director, supervisor or an employee who is a legal person shareholder directly holding 5% of the company's total issued shares, or a director, supervisor or an employee who is one of the first five legal person shareholders
- (6) Not a director, supervisor, manager or a shareholder with over 5% shares who are from specific companies or organizations that have that have financial or business transactions with the company
- (7) Not an enterprise owner, a partner, director, supervisor, manager or their spouse who is a professional or from an independent venture, a partner, a company or an organization providing business, legal, financial, accounting services or consultation for the company or its affiliates
- (8) Neither a spouse nor within a second-degree relative of other directors
- (9) Without any of the circumstances mentioned in the provisions of Article 30 of the Company Law
- (10) Not a government, legal person or representative elected according to Article 27 of the Company Law

(2) Information of President, Senior Vice President, Vice President and General Manager

Title	Nation ality	Name	Elected (Sworn-in) Date	Shares		Shareholding of spouse and minor children		Shareholdings in the names of others	
				Shares	Share Holding	Shares	Share Holding	Shares	Share Holding
President	R.O.C	Wen -Rong Tsay	2010.09.01	0	0.00	—	—	—	—
Special Assistant to the Chairman	R.O.C	Kuo-Rong Chen	2003.11.1	5,000	0.00	—	—	—	—

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Main Experience (Education)	Concurrent positions at other companies	Any manager who is the spouse or blood relative within the second order to the principal		
		Title	Name	Relation ship
NCTU Executive Master of Business Administration	Director, Taiwan Acceptance Corporation Director, Tokio Marine Newa Insurance Co., Ltd Chairman, Yue Sheng Industrial Co., Ltd. Director, Jet Ford, Inc. Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Aeolus Xiangyang Automobile Co., Ltd. Chairman, Shenzhen Lan You Technology Co., Ltd. Director, Dong Feng Yulon Used Cars Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation	—	—	—
NCTU Executive Master of Business Administration	Vice Chairman, Yulon Motor Co., Ltd. Director, China Motor Corporation Chairman, Taiwan Acceptance Corporation Director, Tai-Yuen Textile Co., Ltd. Director, Hwa-chuan Auto Technology Center Co., Ltd. Vice Chairman, Luxgen Motor Co., Ltd. Director, Dongfeng Yulon Motor Co., Ltd. Vice Chairman, Guangzhou Aeolus Automobile Motor Co., Ltd. Vice Chairman, Aeolus Automobile Motor Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation. Director, Vivian Wu Journalism Award Foundation Please refer to the “Information on Affiliated Companies” for details.	—	—	—

Title	Nationality	Name	Elected (Sworn-in) Date	Shares		Shareholding of spouse and minor children		Shareholdings in the name of others	
				Shares	Share Holding	Shares	Share Holding	Shares	Share Holding
Senior Vice President	Japan	Junichi Ohori	2014.4.1	—	—	—	—	—	—
Senior Vice President	R.O.C	Leman C.C. Lee	2015.1.1	—	—	—	—	—	—
Vice President	Japan	Kenji Shimoyama	2014.4.1	—	—	—	—	—	—
Vice President	Japan	Moritami Matsumoto	2014.4.1	—	—	—	—	—	—
Senior General Manager	Japan	Yoshihiro Takahama	2014.7.1	—	—	—	—	—	—
General Manager	R.O.C	Shun-Chi Tsai	2007.1.1	—	—	—	—	—	—
General Manager	R.O.C	Yen Chou	2016.4.15	—	—	—	—	—	—
General Manager	R.O.C	Dennis Chang	2012.10.1	—	—	—	—	—	—
General Manager	R.O.C	Tsan-Huang Lin	2009.02.15	—	—	—	—	—	—
General Manager	R.O.C	Yu-Chou Hsieh	2009.7.1	1,000	—	—	—	—	—
General Manager	R.O.C	Wen-Chi Mao	2010.12.1	—	—	—	—	—	—
General Manager	R.O.C	Wen-Chuan Chung	2010.12.1	—	—	—	—	—	—
General Manager		Wen-Chiang Shu	2011.05.18	—	—	—	—	—	—
General Manager		Chiung-Ming, Chou	2013.05.17	—	—	—	—	—	—
General Manager		Chao-Yen Liang	2015.1.1	—	—	—	—	—	—
Accounting Manager		Chen-Hua, Chi	2015.05.11	—	—	—	—	—	—

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Main Experience (Education)	Concurrent positions at other companies	Any manager who is the spouse or blood relative within the second order to the principal		
		Title	Name	Relationship
Master of Engineering, Faculty of Engineering, Musashi Institute of Technology	—	—	—	—
Department of Mechanical Engineering, National Taiwan University	Supervisor, Taiwan Acceptance Corporation Director, Yu Shin Motor Co., Ltd. Director, YuShin Motor Co., Ltd. Director, YuChang Motor Co., Ltd. Director, Yuan Long Motor Co. Ltd. Director, Empower Motor Co. Ltd. Director, Yuan Tang Motor Co. Ltd Director, Chen Long Motor Co. Ltd Director, Kaihsin Insurance Agent Co.Ltd. Director, Sinjang Co. Ltd Director, Tianwang Co. Ltd Director, Qun Min Corporation Director, Hui-Lian Motor Co., Ltd Director, CL Skylite Trading Co., Ltd. Director, Fengye Car Rental Co., Ltd. Director, Dig Long Motor Co., Ltd	—	—	—
Bachelor of Engineering, Department of Mechanical Engineering, Kogakuin University, Japan	—	—	—	—
Tokai University	—	—	—	—
Department of Law, Faculty of Law, SOPHIA University	—	—	—	—
Master of International Business Management, Curtin University of Technology Industrial Engineering, Chung Yuan Christian University	Director, Yuan Long Motor Co. Ltd	—	—	—
Master of International Business Management, Curtin University of Technology Mechanical Engineering, National Central University	Director, Empower Motor Co. Ltd. Director, Singan Co. Ltd Director, Chen Long Motor Co. Ltd Director, YuShin Motor Co., Ltd	—	—	—
Department of Business Administration, Tunghai University	Director, Yuan Long Motor Co., Ltd. Director, Yuan Tang Motor Co. Ltd Director, Yu Shin Motor Co., Ltd. Director, YuChang Motor Co., Ltd Director, Chen Long Motor Co. Ltd Director, YuShin Motor Co., Ltd Director, CARPLUS Auto Leasing Co., Ltd. Director, Huamao International Investment Co., Ltd.	—	—	—
Department of Aerospace Engineering, Tamkang University	Director, Yueki Industrial Co., Ltd	—	—	—
Chung Cheng Institute of Technology National Defense University Department of Vehicle Engineering	—	—	—	—
Master of Business Administration, National Cheng Kung University.	—	—	—	—
Bachelor, Industrial Design, National Cheng Kung University, Taiwan. Master, Industrial Management, National Taiwan University of Science and Technology, Taiwan. Master, International Business Management, Curtin University of Technology, Australia	—	—	—	—
Department of Navigation, National Taiwan Ocean University	President Chen Long Motor Co., Ltd. President, Ding-Long Motor Co., Ltd President, Ling-Chen Motor Co., Ltd	—	—	—
Department of Mechanical Engineering, National United University	—	—	—	—
Department of Mechanical Engineering, National Chung Hsing University Master of High Level Management, Chiao Tung University	—	—	—	—
University of Idaho (USA) Master of Accountancy	—	—	—	—

(3) Payment of Remuneration to Directors, Supervisors, President and Senior Vice President

1. Director's Compensation

Dec. 31, 2015
Unit: NTD Thousand

Title	Name	Director Compensation				% of Total Amount of A, B, C and D against Net Profit after Tax	Compensation Received by Employees with Concurrent Posts					% of Total Amount of A, B, C, D, E, F and G against Net Profit after Tax	Whether Reinvested in Business or Received from Companies other than Subsidiaries		
		Compensation (A) The Company consolidated statement	Severance Pay and Pensions (B) (Note 2)	Compensation to Directors (C)	Business Execution Expense (D)		Salary, Reward and Special Allowance (E) (Note 1)	Severance Pay and Pensions (F) (Note 3)	Employees' Profit Sharing Bonus (G)	Exercisable Employee Stock Option (H)	Granted Employee Restricted Stock (I)				
Chairman	Kenneth K.T. Yen														
Director	Kuo-Rong Chen														
Director	Wen-Rong Tsay														
Director	Zhen-Xiang Yao														
Director	Takashi Nishibayashi					21,385									
Director	Atsushi Kuboi														
Director	Junichi Ohori	12,000	0	0	0					407	85	0	0	0	0.86%
Director	Moritami Matsumoto (Note-4)														
Director	Kenji Shimoyama (Note-5)														
Independent director	Tsong-Jen Huang (Note 4)														
Independent director	Jin-Shun Wu (Note 5)														
Independent director	Robert Mao														

Note 1: The driver payment is disclosed for reference only but not regarded as part of the compensation.

Note 2: (1)Actual pensions account: 0 NTD Thousand (2)recognized pensions account:0 NTD Thousand

Note 3: (1)Actual pensions account: 0 NTD Thousand (2)recognized pensions account:407 NTD Thousand

Note 4: Resigned on Jun 29, 2015.

Note 5: Appointed on Jun 30, 2015.

Compensation Range Table

The Compensation Range for Directors of the Company	Number of Directors			
	Total Compensation Amount of A+B+C+D		Total Compensation Amount of A+B+C+D+E+F+G	
	The Company	The Company	The Company	The Company
Less than NT 2,000,000	Kenneth K.T. Yen , Kuo-Rong Chen , Wen -Rong Tsay , Zhen -Xiang Yao , Takashi Nishibayashi , Atsushi Kubo , Junichi Ohori , Moritami Matsumoto , Kenji Shimoyama , Tsong-Jen Huang , Robert Mao , Jin-Shun Wu	Kenneth K.T. Yen , Kuo-Rong Chen , Wen -Rong Tsay , Zhen -Xiang Yao , Takashi Nishibayashi , Atsushi Kubo , Junichi Ohori , Moritami Matsumoto , Kenji Shimoyama , Tsong-Jen Huang , Robert Mao , Jin-Shun Wu	Kuo-Rong Chen , Zhen -Xiang Yao , Takashi Nishibayashi , Atsushi Kubo , Tsong-Jen Huang , Robert Mao , Jin-Shun Wu	Kuo-Rong Chen , Zhen -Xiang Yao , Takashi Nishibayashi , Atsushi Kubo , Tsong-Jen Huang , Robert Mao , Jin-Shun Wu
	NT2,000,000 ~ NT5,000,000		Moritami Matsumoto , Kenji Shimoyama	Moritami Matsumoto , Kenji Shimoyama
	NT5,000,000 ~ NT10,000,000		Kenneth K.T. Yen , Wen -Rong Tsay , Junichi Ohori	Kenneth K.T. Yen , Wen -Rong Tsay , Junichi Ohori
	NT10,000,000 ~ NT15,000,000			
	NT15,000,000 ~ NT30,000,000			
	NT30,000,000 ~ NT50,000,000			
	NT50,000,000 ~ NT100,000,000			
	More than NT100,000,000			
	Total	12	12	12

2.Compensation of supervisors

Dec. 31, 2015
Unit:NTD Thousand

Title	Name	Supervisor Compensation				% of Total Amount of A, B and C against Net Profit after Tax		Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries
		Remuneration (A)		Business Execution Expense (C)		The Company	All the companies included in this consolidated statement	
		The Company	All the companies included in this consolidated statement	The Company	All the companies included in this consolidated statement			
Supervisor	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li	3,600	0	0	0	0.09%	0.09%	Nil
Supervisor	Tai-Ming Chen							
Supervisor	Yosuke Sato(Note1)							
Supervisor	Toru Nakano(Note2)							

Note 1: Resigned on Jun 29, 2015.

Note 2: Appointed on Jun 30, 2015.

Compensation Range Table

The Compensation Range for Supervisors of the Company	Number of Supervisors	
	The Company	Total Compensation Amount of A+B+C
Less than NT2,000,000	Kwan-Tao Li、Tai-Ming Chen、Yosuke Sato、Toru Nakano	All the companies included in this consolidated statement D
NT2,000,000 ~ NT5,000,000		
NT5,000,000 ~ NT10,000,000		
NT10,000,000 ~ NT15,000,000		
NT15,000,000 ~ NT30,000,000		
NT30,000,000 ~ NT50,000,000		
NT50,000,000 ~ NT100,000,000		
More than NT100,000,000		
Total	4	4

3: Compensation of the President and Senior Vice President

Dec. 31, 2015 Unit: NT Thousand

Title	Name (Note 1)	Salary (A)		All the companies included in this consolidated statement	Reward and Special Allowance (B)		Surplus Divided Employee Bonus (C)			% of Total Amount of A, B, C and D against Net Profit after Tax		Number of Employee Stock Options Acquired	% of Total Amount of A, B, C, D, E, F and G against Net Profit after Tax		Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries	
		The Company	All the companies included in this consolidated statement		The Company	All the companies included in this consolidated statement	The Company	All the companies included in this consolidated statement	The Company	All the companies included in this consolidated statement	The Company		All the companies included in this consolidated statement			
President	Wen-Rong Tsay				5,742 Housing Rent 324 Car Rental 1,173 Driver 2,340	5,742 Housing Rent 324 Car Rental 1,173 Driver 2,340										
Special Assistant to the Chairman	Kuo-Rong Chen	8,934	8,934	660			136	0	136	0	0	0	0	0	0	Nil
Senior Vice President	Junichi Ohori															
Senior Vice President	Leman C.C. Lee															

Compensation Range Table

The Compensation Range for General Managers and Vice General Managers of the Company		Number of President and Senior Vice President	
Less than NT2,000,000		The Company	The Company
NT2,000,000 ~ NT5,000,000		Kuo-Rong Chen	Kuo-Rong Chen
NT5,000,000 ~ NT10,000,000		Junichi Ohori · Leman C.C. Lee	Junichi Ohori · Leman C.C. Lee
NT10,000,000 ~ NT15,000,000		Wen-Rong Tsai	Wen-Rong Tsai
NT15,000,000 ~ NT30,000,000			
NT30,000,000 ~ NT50,000,000			
NT50,000,000 ~ NT100,000,000			
More than NT100,000,000			
Total		4	4

Note (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 660 NTD Thousand

Note 2: The driver payment is disclosed for reference only but not regarded as part of the compensation.

4. Manager's Name of the employees' compensation and allocation situation

Dec. 31, 2015
Unit: NTD thousand

	Title	Name(Note 1)	Stock (Fair Market Value)	Cash	Total	% of Total Amount against Net Profit After Tax
manager	President	Wen -Rong Tsay				
	Special Assistant to the Chairman	Kuo-Rong Chen				
	Senior Vice President	Junichi Otori				
	Senior Vice President	Leman C.C. Lee(Note2)				
	Vice President	Kenji Shimoyama				
	Vice President	Moritami Matsumoto				
	Senior General Manager	Yoshihiro Takahama				
	Manager	Jiang-Shan Lee				
	Manager	Chiung-Ming, Chou	-	494 (Note)	494 (Note)	0.01% (Note)
	Manager	Shun-Chi Tsai				
	Manager	Dennis Chang				
	Manager	Tsan-Huang Lin				
	Manager	Yu-Chou Hsieh				
	Manager	Wen-Chuan Chung				
	Manager	Wen-Chi Mao				
	Manager	Wen-Chiang Shu				
	Financial Supervisor	Chao-Yen Liang(Note2)				
Accounting Manager	Yan-Jung Kuan(Note3)					
Accounting Manager	Chen-Hua Chi(Note4)					

Note1 : The individual name and title should be disclosed; however, the distribution may be disclosed in summary.

Note 2 : Appointed on Jan 1, 2015.

Note 3 : Resigned on May 8, 2015.

Note 4 : Appointed on May 11, 2015.

(4) Analysis and description of the net profits macro or individual financial report after payment of remuneration made out to directors, supervisors, president, and vice president in the last 2 years.

The percentages of the total remuneration amount paid to the company's directors, supervisors, general managers and vice general managers against the net profit after tax are respectively compared and analyzed, and the relationship among the policies, standards and combinations of compensation payment, the procedures of the compensation establishment and the operational performance is also described.

Unit: NTD thousand

Title	2015 year			2014 year		
	Total Compensation (Note)	Net Profit After Tax	% of Total Remuneration against Net Profit after Tax	Total Compensation (Note)	Net Profit After Tax	% of Total Remuneration against Net Profit after Tax
Director	12,000	4,165,901	0.29%	12,000	6,523,759	0.18%
Supervisor	3,600	4,165,901	0.08%	3,600	6,523,759	0.06%
President and Senior Vice President	16,969	4,165,901	0.41%	13,799	6,523,759	0.21%
Total	32,569	4,165,901	0.78%	29,399	6,523,759	0.45%

Note : Compensation includes the company and all consolidated companies

The company's directors and supervisors should receive a total of NTD 100,000 (including transportation allowances) per month. The chairman's remuneration should be paid according to the negotiation of the authorized Board of Directors in terms of his participation frequency in the company's operation and the contributions without exceeding the standard of the highest salary level established by the company.

The company's overall compensation combinations mainly include three parts: basic salaries, rewards and welfare. For the payment standards, basic salaries are appraised based on the employees' market quotations of their served posts; rewards are granted for the employees' and the departments' achievement of goals or the company's operation performance; as for the setting of welfare, welfare measures the employees can share are designed to conform to regulations as well as cater for the employees' needs.

3. Operation of Corporate Governance

(1) Operational Status of the Board of Directors

There have been 6 annual meetings held for the Board of Directors recently. The attendance of directors and supervisors is as follows:

Title	Name	Number of Times for Actual Attendance	Number of Times for Authorized Attendance	% of Actual Attendance	Note
Corporation Director	Yulon Motor Co., Ltd.				
Corporation Director Representative and Chairman	Kenneth K.T. Yen	6	0	100%	
Corporation Director Representative	Kuo-Rong Chen	6	0	100%	
Corporation Director Representative	Wen-Rong Tsay	6	0	100%	
Corporation Director Representative	Zhen -Xiang Yao	6	0	100%	
Corporation Director	Nissan Motor Co., Ltd.				
Corporation Director Representative	Takashi Nishibayashi	2	4	33%	
Corporation Director Representative	Atsushi Kubo	6	0	100%	
Corporation Director Representative	Junichi Ohori	6	0	100%	
Corporation Director Representative	Moritami Matsumoto	2	0	100%	Resigned on Jun 29, 2015
Corporation Director Representative	Kenji Shimoyama	4	0	100%	Appointed on Jun 30, 2015
Independent Director	Tsong-Jen Huang	2	0	100%	Resigned on Jun 29, 2015
Independent Director	Jin-Shun Wu	4	0	100%	Appointed on Jun 30, 2015
Independent Director	Robert Mao	6	0	100%	
Corporation Supervisor	Wei Wen Investment Co., Ltd.				
Corporation Supervisor Representative	Kwan-Tao Li	4	0	67%	
Corporation Supervisor Representative	Tai-Ming Chen	6	0	100%	
Supervisor	Yosuke Sato	0	0	0%	Resigned on Jun 29, 2015
Supervisor	Toru Nakano	4	0	100	Appointed on Jun 30, 2015

Other Notes:

1. The content listed in Article 14-3 of the Stock Exchange Law and other recorded or written resolutions of the meetings of the Board of Directors, which are objected or retained by independent directors, should specify the dates, terms, motion content, all of the independent directors' comments and the company's handling of these comments: Nil.
2. The directors' execution status of interest relationship motion avoidance should specify the directors' names, the motion content, the reasons of interest avoidance and the status of resolution participation: Nil.
3. The goals for strengthening the functions of the Board of Directors in the fiscal year and the recent fiscal year (e.g., establish an audit committee, increase information transparency, etc.) and the evaluation of the operation status:
 1. Established functional committee: Yulon Nissan established the Salary Remuneration Committee upon adoption by the Board of Directors meeting on December 16, 2011 in accordance with the Securities and Exchange Act. Yulon Nissan is scheduled to establish an Audit Committee during the 2018 Board of the Directors re-election to continue improving the management quality of the company.
 2. Strengthened functions of Board of Directors members: Yulon Group organizes independent courses to strengthen the operation decision of Board of the Directors, risk management, laws and regulations for compliance, and corporate sustainability as well as professional knowledge. On July 15, 2015, the company held the "Yulon Group Listed Company Directors and Supervisor Advancement Courses" to discuss the "Principles of Corporate Governance and Sustainability" and "Corporate Decision and Board of Directors Function."
 3. Improving information transparency: Apart from the information disclosure in Chinese on the Public Observation Post System, the company also established the company website available in Chinese and English, which discloses required information on the Public Observation Post System in English language in step to enhance the understanding of our company by international investors.
 4. Evaluation of Execution: Yulon NISSAN developed the "Board of the Directors Performance Appraisal Procedures" on December 21, 2015. The Board of Directors members and meeting units shall routinely conduct performance appraisal and emphasize on the weakness to develop improvement practice.
 5. Moreover, the Yulon NISSAN has amended the "Corporate Governance Best Practice Principles" and "Ethical Corporate Management Best Practice Principles" on March 23, 2015 and amended the "Corporate Social Responsibility Practice Principles" on May 11, 2015 to assure the management of Yulon NISSAN materially responds to the development of issues of attention by the society and conform to the international trends of corporate governance development.

(2) Operational Status of the Audit Committee: Nil**(3) The attendance of directors and supervisors and Operational Status of the Board of Directors**

There have been 6 annual meetings held for the Board of Directors recently. The attendance is as follows:

Title	Name	Number of Times for Actual Attendance	% of Actual Attendance	Note
Corporation Person Supervisor	Wei Wen Investment Co., Ltd.			
Natural Person Supervisor Representative	Kwan-Tao Li	4	67%	
Natural Person Supervisor Representative	Tai-Ming Chen	6	100%	
Supervisor	Yosuke Sato	0	0%	Resigned on Jun 29, 2015
Supervisor	Toru Nakano	4	100	Appointed on Jun 30, 2015

Other items that should be stated:
 1. Composition and Duties of Supervisors:
 (1) Communication between the Supervisor(s) and the Company's employee(s) and/or shareholder(s) (e.g. communication channel and the way of communication): NIL
 (2) Communication between the Supervisor(s) and Superintendent of Internal Audit and Certified Public Accountant (e.g., communication items, method and results in respect to the Company's financial and business status): NIL
 2.If a Supervisor attends the Board meeting and express his/her opinion, it is required to record the date and term of the Board meeting, content of the proposal discussed and resolution thereof and the action taken by the Company to reflect such Supervisor's opinion: NIL

(4)The difference in contrast to the operation of corporate governance and the listed / OTC company's corporate governance codes of practice and reasons

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
1. Does the company develops and discloses corporate governance practice principles in accordance with "Governance Best Practice Principles for TWSE/GTSM Listed Companies."	V		The practice was developed on August 4th, 2014 and first revised on March 23th, 2015. The practice is disclosed company website
2. Corporate shareholding structure and shareholders' equity (1) Does the company develop internal operation procedures to for shareholders' suggestions, doubts, disputes, and complaints with implementation according to the procedures? (2) Does the company actually control the main shareholders and the final control list of major shareholders of the company?	V V		The Company calls for the Shareholder's Meeting according to the Company Act and relevant regulations in addition to formulating the complete meeting rules and executing the matters resolved by the Shareholder's Meeting according to the meeting rules. Moreover, the Company shall assign special department of stock affairs as the service window for processing relevant affairs apart from assigning a spokesperson responsible for the explanation of suggestions or questions proposed by the shareholders. The company controls the major shareholders and the final control list of the company in addition to disclosing such information on the annual report on "Directors, Supervisors, Managers, and Major Shareholders' Equity Change."

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprise?	V		The company’s corporate governance practice principles specifies the risk assessment with affiliated companies and the importance of necessary control mechanism in addition to developing the “Acquisition or Disposition of Information Asset Procedure,” “Endorsement and Guarantee Operation Procedure,” “Fund Loaning to Others Operation Procedure,” “Internal Major Information Processing Procedure,” “Prevention of Insider Trading Management Operation Procedure.” The company also establishes spokesperson, investor’s contact window, established good internal major information processing and disclosure mechanism to avoid improper information leakage as well as assuring the consistency and accuracy of information published.
(4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to buy or sell securities?	V		To prevent company insiders from buying and selling securities using information unpublished, the company has specified the “Internal Major Information Processing Operation Process” and “Prevention of Insider Trading Management Operation Procedure” through the announcement of the company website and routine promotion to directors, supervisors, manager, and employee (email, company internal network).
3. Composition and function of Board of Directors (1) Does the Board of Directors develop diversified guidelines and implement execution in terms of member composition?	V		The company has set up the multiple capacities required for the overall Board of Directors in the corporate governance practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed. The incumbent directors and supervisors not only should possess multiple professional capacity such as operational judgment, business management, industry knowledge, crisis handling, financial and accounting, legal, information technology, and leadership and decision making, but also include foreign directors and supervisors to provide multi-dimensional suggestions for different nationality, viewpoints, and cultural background.

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(2) Does the company also voluntarily establish other functional committee apart from the salary remuneration committee and audit committee?		V	To improve the corporate governance, the company has established the salary remuneration committee to supervise and suggest salary for directors, supervisors and managers in addition to establishing the audit committee on the election of 7th Board of Directors.
(3) Does the company develop Board of Directors Performance Assessment Guidelines and Evaluation Method in addition to conduct annual performance assessment?	V		<p>The Company developed Board of Directors Performance Appraisal Procedures on December 21, 2015 and has been distributing performance self-evaluation questionnaires to all members of the Board of Directors at the end of each December. The members not only need to evaluate the overall operations of the Board of the Directors but also conduct self-evaluation. The overall performance self-evaluation conducted by the Board of the Directors covers the following five major constructs:</p> <ol style="list-style-type: none"> 1. Level of participation in company operations. 2. Improvement on the decision-making quality by the Board of the Directors. 3. Board of the Directors constitution and structure. 4. Board of the Directors election and continuous advanced study. 5. Internal control <p>The items of evaluation in the Board of Directors member performance appraisal should at least include the following four dimensions:</p> <ol style="list-style-type: none"> 1. Understanding of the company and responsibility recognition. 2. Level of participation in company operations. 3. Professional and continuous advanced study by the directors. 4. Internal control <p>Upon recovering the questionnaires by the end of each January, the organizer of the Board of the Directors shall conduct analysis in accordance with the aforementioned procedures and report the results to the Board of the Directors, in addition to proposing suggestions for improvement on areas to be strengthened. The aforementioned procedures are also disclosed on the company website.</p>

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(4) Does the company routinely assess the independence of attesting CPA?	V		The company refers to the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 “Integrity, Objectivity and Independence” to develop the CPA independence evaluation form. The Board of Directors will use the aforementioned evaluation form to review the independence and competence of the attesting ACP based on the financial interests matters, financing and guarantee, commercial relation with the company, and the enterprise of the attesting CPA and their family.
4. Does the company establish communication channel with the stakeholders, establish stakeholder section on the company website, and properly respond to the key corporate social responsibility issues concerned by the stakeholders?	V		The stakeholders can communicate via business transaction or spokesperson while the company also establishes an investor section on the company website (https://www.nissan.com.tw/tc/explore/investor.aspx) to disclose the contact/complaint window and contact methods for investors and stakeholders, in order to provide immediate response of issues concerned by all stakeholders with response.
5. Does the company commission professional registrar for handling of shareholder meeting affairs?	V		The Corporation has an own share register department.
6. Public information (1) Does the company establish website to disclose information on the financial operations and corporate governance?	V		The company has established a corporate website to disclose product information, management, finance, and key corporate regulations and articles regarding corporate governance.
			The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left.

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(2) Does the company adopt other information disclosure methods (i.e. establishing English website, assigning specialist to collect and disclose the corporate information, implement spokesperson system and displaying corporate website at investor meeting)?	V		To treat domestic and foreign shareholders and stakeholders with equity, the company establishes a company website in English (http://www.nissan.com.tw/en/) to disclose the company introduction, management and finance, and social welfare as well as other corporate governance information in English. The investor meeting information is also available in Chinese and English versions which are disclosed at the company website in Chinese and English versions. In case the company holds the investor meeting independently, the company will upload video file for investors to review (currently investors are on invitation basis).
7. Does the company also hold important information that will help understand the corporate governance operation (including but not limited to employee rights, care for employees, investor relation, supplier relation, stakeholders' rights, advanced study by the directors and supervisors, risk management policy and execution of risk evaluations standards, and the company purchasing liability insurance for directors and supervisors).	V		<p>Employee rights and care for employees: Please refer to V. Operation Overview, 5. Labor-Employee Relation of this annual report. Apart from building the Yulon Community in Sanyi, Miaoli County, the company started cooperation with Hsinchu City Lifeline Association in 2015 to provide "EAP Employee Assistance Program" through professional and confidential consulting channel.</p> <p>Relation with investors and stakeholders: The company offers spokesperson and professional registrar institute as well as announcing significant information on the bulletin of Public Observation Post System in Chinese and English concurrently, and the company website in Chinese and English with equal treatment for domestic and foreign investors/stakeholders.</p> <p>Relation with supplier: As a member of community, the company continues to pay attention to environmental protection, health and safety, and human rights for labor, emphasizes on establishing sustainable development relation with vendors, and bring the impact into full play to urge the vendor on the supply chain to follow up. The company also develops vendor sustainable development activities including management guidelines, conduct principles, evaluation, counseling, and performance management, to announce to the company website. ◦ There are additional vendor management guidelines and routine associate assembly for use as the diversified channel for education training and bilateral communication.</p>

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
		<p>Directors and supervisors: The company set up 13 supervisors and directors, including 2 independent directors and 3 supervisors to supervise the corporate operation for the investors. With regards to advanced study, the Company positively encourages the directors and supervisors to participate in advanced study in accordance with the “Guidelines for Listed and OTC Company Directors and Supervisors Advanced Study Promotion.” The company also offers routine advanced courses within the group with details of advanced study also disclosed on the Public Observation Post System. Meanwhile the Board of Directors Self Performance Appraisal is implemented to review the Board of the Directors operations to assure the interests and rights of the company investors and stakeholders.</p> <p>Additionally, Nissan Motor Co., Ltd. has insured for the directors and supervisors with liability insurance in the coverage of USD75 million, including the directors, supervisors and key staff of the company.</p> <p>Consumer or client protection policy: The company sets up 24-hour 0800 toll-free phone consulting service hotline to provide distribution operation and service office query, new car information announcement, towing assistance, client requirement assistance, suggestions and compliant case processing, providing consumers with comprehensive equity consulting channel and demand services.</p> <p>Execution of risk management policy and risk measurement standards: Please refer to VII. 6. Risk Management and Evaluation of the annual report.</p>	
8. Does the company offer corporate governance self-evaluation report or commission other professional institutes with corporate governance assessment report? (If so, please describe the opinions from the Board of Directors, self-evaluation or commissioned assessment results, major flaws or suggestions and improvement) (Note 2).		V	The Company currently does not offer corporate governance self-evaluation report or outsourced corporate governance evaluation report

Note 1: Provide description on the summary and description column regardless of checking on “yes” or “no” for the operations.

Note 2: The so-called corporate governance self-evaluation refers to the self-evaluation and description provided by the company in accordance with the corporate self-governance items on the report about the current corporate operations and executions.

(5) Remuneration Committee :

(1) Data of Remuneration Committee Members

Name Title/Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)								Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	
Jin-Shun Wu Independent Director		V	V	V	V	V	V	V	V	V	V	6
Robert Mao Independent Director			V	V	V	V	V	V	V	V	V	1
Yun-Hua Yang Other	V	V		V	V	V	V	V	V	V	V	3

Note:

Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

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

(2) Operational Status of Remuneration Committee :

1. There are 3 members in the Remuneration Committee.
2. Term of Committee Members: The term for second Salary Remuneration Committee was expired on June 29, 2015 while the term for the third Committee started from June 30, 2015 and shall end on June 29, 2018. The two Salary Remuneration Committees held 3 meetings (A) in 2015 while the eligibility of committee members and the 2015 attendance are outlined below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Chair	Tsong-Jen Huang	1	0	100%	Resigned on Jun 29, 2015
Chair	Jin-Shun Wu	2	0	100%	Appointed on Jun 30, 2015
Member	Robert Mao	3	0	100%	
Member	Yun-Hua Yang	3	0	100%	
Annotation:					
1. There was no recommendation of the Compensation Committee which was not adopted or was modified by the Board of Directors in 2015.					
2. There were no written or otherwise recorded resolutions on which a member of the Compensation Committee had a dissenting opinion or qualified opinion.					

(6) Implementing Corporate Social Responsibility:

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
1. Implementation of corporate governance				
(1) Does the company develop corporate social responsibility policy or system and review the effectiveness of implementation?	V		The company has developed corporate social responsibility policy at the Board of Directors on May 11, 2015 and established project committee to promote the different activities with routine reporting of the corporate performance in corporate social responsibility to the Board of Directors. The promotion performance was already disclosed in the “2014 CSR Report” in November 2015 while the 2015 promotion performance will be disclosed on the CSR report to be published in June, 2016.	In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
(2) Does the company routinely organize social responsibility education training?	V		Organizing different corporate social responsibility education training from time to time.	
(3) Does the company establish and promote full-time(part-time) corporate social responsibility department, where the Board of Directors authorize senior management to process and report to the Board of Directors of the processing?	V		The company has established CSR Project Committee in March 2015, where the President serves as the coordinator, the Vice President as the vice coordinator, and the responsible human HR department shall be responsible for promoting relevant activities with routine reporting to the Board of Directors.	

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(4) Does the company develop reasonable salary and remuneration policy in addition to combining employee performance appraisal system and corporate social responsibility, as well as establishing explicit and effective rewards and punishment system?	V		<ol style="list-style-type: none"> 1. The company has established the Remuneration Committee in 2011 and routinely calls for meetings to develop reasonable salary system. 2. Corporate social responsibility is part of the work and has been managed and required by improved performance and reward/punishment system. 	
<p>2. Development of sustainable environment</p> <p>(1) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?</p>	V		<ol style="list-style-type: none"> 1. Establishing environmental safety official organization in charge of promotion and advocacy of various energy-saving policies to upgrade the resource utilization efficiency. 2. New cars released to the market starting in 2009 shall comply with the "Voluntary Automobile Resource Recycling and Reuse Specification" for R&D/design of products, to promote the voluntary automobile resources Recycling and reuse specification. <ol style="list-style-type: none"> 1) The vehicle recovery rate has far exceeded the standard (80%) and reached 92.7%~95.1%. 2) Vehicle recovering and reuse rate has far exceeded the standard (85%) and reached 96.2%~98.1%. 3) Restriction on the use of four environmentally hazardous heavy metals, including lead, mercury, cadmium, and hexavalent chromium. 	In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
(2) Does the company establish proper environmental management system in accordance with its characteristics of industry?	V		Established environmental management system in April 2015 to promote relevant environmental management policies. The Company has passed the ISO 14001 certification in Nov. 2015	
(3) Does the company pay attention on the impact of climate change on operational activating and execute strategies on greenhouse gas inventory, develop corporate energy-conservation and carbon	V		<ol style="list-style-type: none"> 1. The company started conducting greenhouse gas inventory in 2013 and the result of 2015 inventory is 1,425.9 metric tons of CO₂e/year. 	

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
emission reduction, and greenhouse gas reduction?			<p>2. Continuous promotion of energy-saving and carbon reduction measures and introducing multiple Grade-1 oil consumption energy-saving models with recognition by the environmental and energy-saving marks from the government.</p> <p>3. Continuing to introduce low oil-consumption car models, zero-emission electric vehicles and other green products to achieve the objectives in energy conservation and carbon reduction.</p>	
<p>3. Maintenance of social welfare</p> <p>(1) Does the company develop relevant management policy and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?</p> <p>(2) Does the company establish employee complaint mechanism and channel with proper handling?</p> <p>(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?</p> <p>(4) Does the company establish routine communication mechanism with employees and notify the employees of the operational change that could possibly cause major impact through reasonable means?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>The company has developed management policy and procedure in accordance with relevant laws and regulation and International Bill of Human Rights</p> <p>Establishes diverse employee communication channel, complaint regulation and handles employee problems immediately.</p> <p>1. Complying with safety health regulations and provide safe and healthy work environment with routine implementation of education and training to assure the safety of employees at work.</p> <p>2. Provide proper protection equipment for employees engaging in special operations.</p> <p>3. Routinely inspect on all equipment and implement equipment operation training for employees.</p> <p>Monthly publication of “YNM Operation Report” that allows employees to fully grasp the current corporate operations and major events.</p>	<p>In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(5) Does the company establish effective career competence development training program for employees?	V		Diverse career competency development training system is available and employees are encouraged to develop multi-task and shift rotation.	
(6) Does the company develop relevant rights/interest policy and complaint procedures to protect consumers in accordance with the R&D, purchase, production, operation, and service process?	V		Establishing 0800 toll-free 24-hour customer service hotline with routine organization of associate supplier assembly to facilitate the communication channel.	
(7) Does the company comply with all relevant laws and regulations and international standards for the marketing and labeling of products and services?	V		The marketing and labeling of products and services are in compliance with the relevant laws and regulations as well as NISSAN specification to assure the rights and interests of consumers.	
(8) Does the company evaluate the past records of vendors with impact on the environment and society prior to the business?	V		1. Comply with ISO H00-B-A003 V Supplier Environment Impact Management Procedures. New vendors must be evaluated for their impact on the environment in accordance New Vendor Environment Impact Assessment Form. 2. The outsourcing of new cars after X-Trail will increase the environmental investigation items on the Vendor Quotation Form.	
(9) Does the contract signed between the company and the major vendors include policy on vendor involving the violation of corporate social responsibility with significant impact on the environment and society and clauses that could terminate or cancel the contract at any time?	V		The contract with vendor, "Vehicle Components Sales Contract," specifies the follows: (1) Environmental Protection Clause (Clause 56). (2) Electroplating Process Warranty Clause (Clause 57). (3) Integrity Management Clause (Clause 58) (4) Compliance with Laws and Regulations (Clause 59) If was involved the violation that could terminate or cancel the contract	
4. Strengthen information disclosure (1) Does the company disclose relevant corporate social responsibility with relevance and reliability on the company website and Market Observation Post System?	V		The relevant information is disclosed on the company website http://www.nissan.com.tw and the Market Observation Post System on a regular basis.	In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
5. If the Company has enacted its code of corporate social responsibility in accordance with the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies, please describe its operation and the difference from the Code of Practice: In compliance with the policies promoted by the “Corporate Social Responsibility Practice Principles” of the company.				
6. Other critical information that helps understand the operation of corporate social responsibility: N/A.				
7. Provide description if the corporate social responsibility report has been met the certification standard of relevant certification institute: N/A.				

Note 1: Provide description on the summary and description column regardless of checking on “yes” or “no” for the operations.

Note 2: For companies having prepared the Social Corporate Responsibility Report, provide remarks on the summary and description to check through the Corporate Social Responsibility Report or index page.

(7) Status of Honest Operation Implemented by the Company and the Adopted Measures:

Implementation of Integrity Operation

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
1. Develop ethical management policy and program (1) Does the company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy?	V		To declare the company’s determination in active implementation of ethical management, the company has developed ethical management practice with disclosure through the Public Observation Post System and the company website. In addition to specifying the company policy on ethical management and prevention programs through the aforementioned practice, the company also develops work conducts according to the organizational structure, department and sections, requiring all company employees including the directors and management to implement ethical management.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(2) Does the company develop prevention on non-integral conducts program to specify the operation procedures, conduct guide, punishment and complain system for violation with implementation in all programs?	V		The company develops “work conduct,” “internal significant information processing operation procedures,” “management and review operation process,” and “sexual harassment complaint process” to regulate employee behavior in scandals, embezzlement of public funds and gender equality in workplace. In case of discovery and verification of investigation, the company shall make claims from the employees and the guarantors.	
(3) Does the company adopt prevention measures according to Article 7, Paragraph 2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or other operational activities of other business scope without higher unethical behavior risk?	V		The company establishes one complete management system to explicitly specify the rights and obligations between the labor and employers with reference on relevant laws and regulation on work conducts as the guidelines for company operation and employees in the execution of operations. In case the company personnel encounter unethical behaviors from others with involvement of legal violations, the company shall report the relevant facts to the judicial or prosecuting agency. In the event public service agency or public service officials are involved, the company shall also report the anti-corruption agency of the government to process.	
2. Implementation ethical management				
(1) Does the company evaluate the ethical records of transacting targets and specify the ethical behavior clauses in the contract signed with the transacting targets.	V		The contracts between transacting parties shall undergo review by professional and legal personnel with specification of ethical management clauses to specify the offering or acceptance of bribery and other unethical conducts with claims for indemnification.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.
(2) Does the company establish a full-time (part-time) organization promoting corporate ethical management under the Board of Directors in addition to routinely report to the Board of the Directors for execution?	V		The company’s ethical management practice has been approved for the first time on August 4 th , 2014 and underwent first revision on March 23 rd , 2014. The Board of Directors serves as the business planning and financial department competent authority to promote ethical management related matters, in addition to coordinating with relevant department for the development of prevention program. The preventions will be included as reporting matters to Board of Directors with routine reporting per year to the Board of Directors for execution.	

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution?	V		The company develops “Regulations Governing the Board of Director Meeting” with specification that in case the matters of that Board of Director meeting is in conflict of interest with the stakeholders or the corporation represented, the directors shall explain the significant content of stakeholder relation at the Board of Directors. In case the content in concern for jeopardizing the company interest, the directors may not join the discussion and voting while avoiding during discussion and voting. The directors may not act on other directors to exercise their voting right.	
(4) Has the company established valid accounting system and internal control system to implement ethical management with the internal audit department routinely audit or the CPA executes inspection?	V		Apart from developing relevant ethical management practice and regulations, the audit office conducts audit on stakeholder transactions and inside trading each year according to the “Regulations Governing Establishment of Internal Control Systems by Public Companies.” In the event of receiving any reporting on violations, the Board of Directors and relevant competent authorizes will be reported for handling. Additionally the company will hold internal control systems self-evaluation operations to assure the validity of internal control and audit.	
(5) Does the company routinely hold domestic and external educational training for ethical management?	V		The company implements education training for ethical behavior for all new employees. The company also develops ethical behavior related content in work conducts in addition to promoting “internal significant information process operation procedures” through internal website and “prevention of inside trading management operation process” to prevent unethical conducts and to advocate the importance of ethical management in routine education and training.	
3. Operations of company reporting system (1) Does the company develop specific reporting and incentive system and establishing convenient reporting channel in addition to assigning proper handling specialist for the target reported?	V		In case the company personnel is discovered with violation of ethical management, follow the work conducts and employee complaint processing system to claim and report to the company supervisor, audit office, business planning and financial department, and management department. In case the investigation is verified, the personnel shall be punished according to the internal regulation and laws.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(2) Does the company develop investigation standard operation process and relevant confidential mechanism for accepting reported matters?	V		To implement the provisions prescribed in Article 23 of the Ethical Corporate Management Best Practice Principles of the company, an independent report mailbox for internal and external affairs with stipulation of the processing procedures upon accepting the report. In case the company personnel are in violation of ethical conducts with severity, the personnel shall be dismissed or unemployed in accordance with the laws and regulations or the corporate personnel procedures.	
(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?	V		The establishment of aforementioned report mailbox takes into account the validity of system operation with stipulation that the accepting department may not discriminate or punish the informer in addition to protecting his/her identify and preventing disclosure. Upon receiving reporting, confidential measures will be immediately activated to assure non-disclosure of the name and labor number of the informer or other personal information that could be used to identify the employees.	
4. Strengthen information disclosure (1) Does the company disclose the content of ethical management practice developed and promote the effectiveness on the company website and Public Observation Post System?	V		The company discloses the complete content of ethical management practice of the company on the company website and Public Observation Post System in addition to incorporate the matters to be reported to the Board of Directors, routinely submit the execution and promotion effectiveness to the Board of Directors every year.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.
5. For companies having developed independent ethical management practice in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the discretion between the operation and practice developed : The company has developed shareholder’s meeting regulations, Board of Directors meeting standards, internal major information processing operation procedures, prevention of insider transaction management operation procedures, classified document management guidelines, and public announcement and promotion to the company personnel (directors, supervisors, employees, and appointed personnel). Additionally the company has followed “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” to develop the ethical management practice of the company that has been reviewed without discretion between the actual operations and the aforementioned practice.				
6. Other critical information that helps understand the operations of the ethical corporate management: (ethical management practice that has been revised and developed under corporate review). The company has referred to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” for the development of the ethical management practice of the company. The practice has been approved by the Board of Directors on August 4th, 2014 and was revised on March 23, 2015 for the first time.				

Note 1: Provide description on the summary and description column regardless of checking on “yes” or “no” for the operations.

(8) Inquiry Method of Governance Codes, Important Information for enhancing realization of Operation of Corporate Governance and Relevant Regulations Established by the Company

The “For Investors” on the company website has disclosed relevant corporate governance, integrity management practice and other regulations, and will be updated from time to time.

(9) Execution Status of Internal Control System

1. Statement of Internal Control System

Yulon Nissan Motor Co., Ltd.
Statement of Internal Control System

Date: March 28, 2016

Yulon Nissan Motor Company (Yulon Nissan) has conducted a self- assessment of internal control for the period of January 1, 2015 to December 31, 2015. The results are as follows:

1. Yulon Nissan acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established at Yulon Nissan. The purposes of the Internal Control System is to provide a reasonable assurance for the Company’s efficient and effective operations (including profit, performance and safeguard of assets, and etc.), reliability, timeliness, transparency of our reporting, and the compliance with applicable laws and regulations.
2. Yulon Nissan also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three aforementioned goal. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the Guidelines for the Establishment of Internal Control System by Public Companies (the “Guidelines”). The said Guidelines divide internal control into five components: (1) Control Environment, (2) Risk Assessments, (3) Control Operations, (4) Information and Communication, and (5) Monitoring. Each component comprises certain factors. More information regarding the said factors is available in the aforesaid Guidelines.
4. Yulon Nissan has assessed and evaluated the design and effectiveness in the design and performance of the aforementioned system.
5. Based on the findings of such evaluation, Yulon Nissan believes that, on December 31, 2015, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. The Statement of Internal Control System will be a prominent feature of Yulon Nissan annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the Security Exchange Law shall apply.
7. This Statement of Internal Control System has been approved by Yulon Nissan Board of Directors at the meeting of March 28 2016 with 10 directors present at the meeting and none disagreeing with this Statement of Internal Control System.

Yulon Nissan Motor Co., Ltd.

Chairman: Kenneth K. T. Yen

President: Wen-Rong Tsai

2. Project Examination Report of CPAs’ Internal Control System : Nil

(10) Company or employees, who have been penalized by laws, or employees received penalties From company for violating the internal control regulations, major Shortcomings and Status of improvements in Fiscal Year 2015 and prior to the publication date of the Annual Report : Nil

(11) Major resolutions made by the Shareholders Meeting and Board of Directors Meeting in fiscal year 2015 and prior to the publication date of annual report

Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	Mar 23, 2015	<ol style="list-style-type: none"> 1. Accepted 2014 Business Report and Financial Statements. 2. Agreed to proceed election of Directors and Supervisors. 3. Agreed to hold the 2015 Annual Shareholders' Meeting. 4. Agreed to appoint an Internal Audit Officer. 5. Agreed to adopt YNM "2014 Internal Control System Statement". 6. Agreed to adopt amendment to "Principles of Corporate Governance". 7. Agreed to adopt amendment to "Principles of Corporate Integrity and Ethics".
Board of Directors	May 11, 2015	<ol style="list-style-type: none"> 1. Agreed to the change of accounting manager. 2. Agreed to adopt 2015 operational target and budget plan. 3. Agreed to adopt amendment to "Internal Control System" and "Internal Audit Implementation Rules". 4. Agreed to the distribution of the Company's year 2014 profit; cash dividend of NTD 30 per share is allocated. 5. Agreed to nominate candidates of independent directors in 2015 shareholders' meeting. 6. Agreed to lift the prohibition for directors to act concurrently as a director and/or manager of another company. 7. Agreed to adopt amendment to "Principles of Corporate Social Responsibility". 8. Agreed to stipulate "Corporate Social Responsibility Policy". <p>4. Passed shareholder's proposal for 2014 Shareholders' Meeting.</p>
Shareholders Meeting	Jun 30 2015	<ol style="list-style-type: none"> 1. Passed to acknowledge the Company's final statement of fiscal year 2014 2. Adoption of the Company's surplus distribution proposal for fiscal year 2014 each stock is issued with a total of NTD 30.(Note 1) 3. Approved the amendment to "Articles of Incorporation". (Note 2) 4. Approved the amendment to "Rules of Procedure for Shareholders' Meeting" (Note 3). 5. Re-elect the Company's 6th Directors and Supervisors. (Note 4) 6. Approved to release the Company's 6th Directors from non-competition restrictions.
Board of Directors	Jun 30, 2015	<ol style="list-style-type: none"> 1. Mr. Kenneth K.T. Yen is elected as Chairman unanimously by the Board of Directors. 2. Agreed to adopt the ex-dividend date for distribution of cash dividends. 3. Agreed to the appointment of the members of Yulon Nissan Motor's third remuneration committee.
Board of Directors	Aug. 3, 2015	<ol style="list-style-type: none"> 1. Agree to adopt the evaluate of the CPA's independence and fitness. 2. Agreed to adopt amendment to "Stocks Affair Internal Control Systems" .
Board of Directors	Nov 6, 2015	<ol style="list-style-type: none"> 1. Approval of amendment to 「Articles of Incorporation」 . 2. Approval to Increase the Remuneration of Managerial Officers in 2015 . 3. Approval of "Annual Audit Plan 2016".
Board of Directors	Dec 21 2015	<ol style="list-style-type: none"> 1. Approval of establishment of "Procedures for stock trade halt and resumption applications". 2. Approval of establishment of "Performance Evaluation of Board of Directors".

Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	Mar 28, 2016	<ol style="list-style-type: none"> 1. Approve 2015 Employee Compensation Distribution. 2. Recognition of 2015 Operating Report and Financial Statements. 3. Agreed to hold the 2016 Annual Shareholders' Meeting. 4. Approve the YNM "2015 Internal Control System Statement". 5. Approve the 2016 Operational Objectives. 6. Approve of the amendment to the management of "Operational Procedures for Acquisition and Disposal of Assets". 7. Approve amendment to the Internal Audit Implementation Rules of Operational Procedures for Acquisition and Disposal of Assets.
Board of Directors	May13, 2016	<ol style="list-style-type: none"> 1. Adoption of the Company's surplus distribution proposal for fiscal year 2015 each stock is issued with a total of NTD 12.50. 2. Adopted the amendment to "Procedures for stock trade halt and resumption applications".

Major Resolutions of Shareholders' Meeting and Implementation Status

Note (1) Recognized the company 2014 surplus distribution proposal and each share is distributed with cash dividend of NT\$30.

Execution: September 3, 2015 was assigned as the target date while September 29, 2015 was assigned as the distribution date. Nonetheless due to the hit by Typhoon Dujuan, the actual distribution date was September 30, 2015.

(2) Adopted the amendment of some articles of the company "Articles of Association."

Execution: Approved by the Ministry of Economic Affairs with registration on July 22, 2015 in addition to making announcement on the company website.

(3) Adopted the revision of some articles of the company "Shareholder Meeting Rules."

Execution: Processed in accordance with the amended procedures.

(4) Re-election of the sixth company directors and supervisors.

List of director elects:

Yulon Motor Co., Ltd. Representative :

Kenneth K.T. Yen 、 Kuo-Rong Chen 、 Wen-Rong Tsay, and Zhen-Xiang Yao.

Nissan Motor Co., Ltd. Representative :

Takashi Nishibayashi 、 Atsushi Kubo 、 Junichi Ohori and Kenji Shimoyama.

List of independent elects: Robert Ma and Jin-Shun Wu.

List of supervisor elects:

Wei Wen Investment Co., Ltd Representative :

Kuan-Tao Lee and Tai-Ming Chen

Toru Nakano

(12) Major Issues on record or written statements made by any director or supervisor which specified his/her dissent to important resolutions passed by the Board of Directors Meeting in fiscal year 2015 and prior to the publication date of the annual report: Nil

(13) The discharge and resignation of chairman, president, accounting chief, financial affairs chief, internal audit chief, and R&D supervisors for 2015 and prior to the Publication Date of the Annual Report :

Title	Name	Date of Office	Date of Resignation and Discharge	Reason of Resignation and Discharge
Internal Audit Chief	Yuan-Bin Niu	2003.10.22	2015.02.01	Retirement
Accounting Manager	Yan-Jung Kuan	2011.02.09	2015.05.08	Retirement

4. Information on CPA Audit fees

(1) Information on CPA Audit Fees :

CPA firms	CPA's Name		Audit Period	Note
Deloitte & Touche CPA Firm	Wan-Yi Liao	Chien-Hsin Hsieh	2015.01.01-2015.12.31	

Unit: NTD thousand

Compensation Range		Fee Item	Audit Fee	Non-Audit Fee	Total Amount
1	Less than 2,000			v	
2	2,000 ~ 4,000				
3	4,000 ~ 6,000				
4	6,000 ~ 8,000				
5	8,000 ~ 10,000		v		v
6	More than 10,000				

(2) Amount of audit and non-audit fees and contents of non-audit services:

Unit: NTD thousand

CPA firms	CPA's Name	Audit Fee	Non-Audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Wan-Yi Liao Chien-Hsin Hsieh	9,600				60	60	2015.01.01-2015.12.31	Declaration: Receipt of dividends distributed by the invested company

(3) The change of CPA firms and the audit fees after change is lower than that before change, the reduced amount, proportion and reason: N/A.

(4) The audit fees after change is more than 15% lower than that before change, the reduced fee amount, proportion and reason: N/A.

5. Information on Change of CPAs

(1) Information of the Previous CPAs: N/A.

(2) Information of the Successive CPAs:

(3) Previous CPAs' reply of article 10-5-1 and 10-2-3 of Guidelines Governing the Preparation of Financial Reports by Securities Issuers: N/A.

6. Upon the Company's chairman, general manager or financial/ accounting manager employed by the Verifying CPA firm within one year, the name, the position, and time period in the CPA firm or its affiliates should be disclosed: N/A.

7.Changes of Share and Share Collateralizing for Directors, Supervisors, Managers and Shareholders with over 10% of shares held during the 2015 fiscal year and prior to the publication date of the annual report

(1) Changes of Share for Directors, Supervisors, Managers and Major shareholders

Unit:thousand Share

Title	Name	Fiscal year 2015		Current Fiscal Year and before May 14, 2016	
		Number of holding Shares Increased (Decreased)	Increased (Decreased) Number of Shares Collateralized	Number of holding Shares Increased (Decreased)	Increased (Decreased) Number of Shares Collateralized
Corporation Director	Yulon Motor Co., Ltd.	-	-	-	-
Chairman	Yulon Motor Co., Ltd. Representative: Kenneth K.T. Yen	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative:Kuo-Rong Chen	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative: Wen-Rong Tsai	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative: Zhen -Xiang Yao	-	-	-	-
Corporation Director	Nissan Motor Co., Ltd.	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Atsushi Kubo	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Junichi Otori	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Moritami Matsumoto (Note 1)	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Kenji Shimoyama (Note 2)	-	-	-	-
Corporation Supervisor	Wei Wen Investment Co., Ltd	-	-	-	-
Supervisor	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li	-	-	-	-
Supervisor	Wei Wen Investment Co., Ltd Representative: Tai-Ming Chen	-	-	-	-
Independent Director	Tsong-Jen Huang(Note 1)	-	-	-	-
Independent Director	Robert Mao	-	-	-	-

Title	Name	Fiscal year 2015		Current Fiscal Year and before May 14, 2016	
		Number of holding Shares Increased (Decreased)	Increased (Decreased) Number of Shares Collateralized	Number of holding Shares Increased (Decreased)	Increased (Decreased) Number of Shares Collateralized
Independent Director	Jin-Shun Wu(Note 2)	-	-	-	-
Supervisor	Yosuke Sato (Note 1)	-	-	-	-
Supervisor	Toru Nakano(Note 2)				
President	Wen-Rong Tsai	-	-	-	-
Special Assistant to the Chairman	Kuo-Rong Chen	-	-	-	-
Senior Vice President	Junichi Ohori	-	-	-	-
Senior Vice President	Leman C.C. Lee(Note 3)	-	-	-	-
Vice President	Moritami Matsumoto	-	-	-	-
Vice President	Kenju Shimoyama	-	-	-	-
Senior General Manager	Yoshihiro Takahama	-	-	-	-
Manager	Jiang-Shan Lee(Note 4)	-	-	-	-
Manager	Chiung-Ming, Chou	-	-	-	-
Manager	Shun-Chi Tsai	-	-	-	-
Manager	Dennis Chang	-	-	-	-
Manager	Tsan-Huang Lin	-	-	-	-
Manager	Yu-Chou Hsieh	-	-	-	-
Manager	Wen-Chuan Chung	-	-	-	-
Manager	Wen-Chi Mao	-	-	-	-
Manager	Wen-Chiang Shu	-	-	-	-
Manager	Yen Chou(Note 5)	-	-	-	-
Manager	Chao-Yen Liang (Note 3)	-	-	-	-
Accounting Manager	Chen-Hua, Chi(Note 6)	-	-	-	-

Note 1 : Resigned on Jun 29, 2015.

Note 2 : Appointed on Jun 30, 2015.

Note 3 : Appointed on Jan 1, 2015.

Note 4 : Resigned on Mar 30, 2016.

Note 5 : Appointed on Apr 15, 2016.

Note 6 : Appointed on May 11, 2015.

(2)Information of Share Changes:Nil

(3)Information of Share Collateralizing:Nil

8.Information on the top-10 shareholders who are affiliates or related as spouse or second cousins:

The Information of Shareholders with Shareholding Percentage as the Top 10, who are Mutually Related

Name	Shareholding of the Person		Shareholding of Spouse and Underage Children		Shareholdings in the Names of Others		Title, name, and relationship of the top-10 shareholders who are affiliates or related as spouse or second cousins		Note
	Number of Shares	Share holding Rate	Number of Shares	Share holding Rate	Number of Shares	Share holding Rate	Name	Relationship	
Yulon Motor Co., Ltd.	143,500,000	47.83	-	-	-	-	Yu Ching Business Co., Ltd. Sin Chi Co., Ltd.	Subsidiary Subsidiary	Director
Kenneth K.T.Yen	-	-	-	-	-	-	-	-	Representative of Director
Kuo-Rong Chen	5,000	-	-	-	-	-	-	-	
Wen-Rong Tsai	-	-	-	-	-	-	-	-	
Zhen -Xiang Yao	-	-	-	-	-	-	-	-	
Nissan Motor Corporation	120,000,000	40.00	-	-	-	-	-	-	Director
Takashi Nishibayashi	-	-	-	-	-	-	-	-	Representative of Director
Atsushi Kubo	-	-	-	-	-	-	-	-	
Junichi Otori	-	-	-	-	-	-	-	-	
Kenji Shimoyama	-	-	-	-	-	-	-	-	
Yu Ching Business Co., Ltd.	3,500,000	1.17	-	-	-	-	Yulon Motor Co., td. Sin Chi Co., Ltd.	Mother Company Subsidiary of Yulon Motors Co., Ltd.	Representative : Kenneth K.T.Yen
Sin Chi Co., Ltd.	3,050,000	1.02	-	-	-	-	Yulon Motor Co., td. Yu Ching Business Co., Ltd.	Mother Company Yulon Motors Co., Ltd.	Representative : Kuo-Rong Chen
Wei Wen Investment Co., Ltd.	1,878,000	0.63	-	-	-	-	Yulon Motor Co., td.	The chairman is the large shareholder who has ability to control company.	Supervisor
Kwan-Tao Li	-	-	-	-	-	-	-	-	Representative of Supervisor
Tai-Ming Chen	-	-	-	-	-	-	-	-	Representative of Supervisor
Wei Tai Investment Co., Ltd.	1,778,000	0.59	-	-	-	-	Yulon Motor Co., td.	The chairman is the large shareholder who has ability to control company.	Representative : Jian Lin Zhu
Lo-Wen Enterprises Co., Ltd	1,500,000	0.50	-	-	-	-	Yulon Motor Co., td	The chairman is the large shareholder who has ability to control company.	Representative : Wei Gong Chi
Bureau of Labor Insurance – New Plan	1,291,000	0.43	-	-	-	-	-	-	Non-juristic person, not applicable
Nan Shan Life Insurance Co., Ltd.	1,100,000	0.37	-	-	-	-	-	-	Representative : Yinf-Zonf Du
Cathay Life Insurance Co., Ltd	1,053,000	0.35	-	-	-	-	-	-	Representative : Hong-tu Tsai

9. The number of shares held by the company, the company's directors, supervisors, managers and its directly or indirectly controlled business toward the same investment businesses, as well as the combined calculated shareholding percentage

Unit : number of shares: %

Reinvested Companies	Invested from Yulon Nissan Motor Co., Ltd.		Invested from directors, supervisors and managers, or companies that are directly or indirectly controlled by Yulon Nissan		Total investment	
	Shares	Percentage	Shares	Percentage	Shares	Percentage
Yi-Jan Overseas Investment Co., Ltd.	84,986,756	100%	-	-	84,986,756	100%

| IV 、 Capital Raising Status |

1. Capital and Shares

(1)Source of Share Capital

1.Source of Share Capital

Unit : thousand Shares : NTD : thousand Dollars

Year Month	Par Value	Authorized Capital		Paid-up Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Share Capital	Invested with Assets Other than Cash	Other
2003/10	10	600,000	6,000,000	300,000	3,000,000	Separately Established 3,000,000	-	Note

Note :Approved in the letter No. Shang-Zi-Di 09201296600, dated October 22,2003

2.Class of Shares

Unit : thousand Shares

Class of Shares	Authorized Capital			Remark
	Issued	Unissued Capital	Total	
Common Stock	300,000(Listed)	300,000	600,000	-

3.Securities under the sum-up reporting method : N/A

(2)Structure of Shareholders

May 2, 2016

Structure of Shareholders Quantity(Qty)	Governmental Institution	Financial Institution	Other Institution	Natural Person	Foreign Institutional and Natural Person	Total
	Number	1	8	77	4,853	69
Shares	1,291,500	3,779,148	161,063,065	11,625,593	122,240,694	300,000,000
Percentage	0.43	1.26	53.69	3.87	40.75	100.00

(3) Status of Ownership Dispersion

Par value per share: NTD 10.00

May 2, 2016

Shareholding class	No. of shareholders	Shares	Percentage
1 ~ 999	666	63,137	0.02%
1,000 ~ 5,000	3,861	6,536,639	2.19%
5,001 ~ 10,000	271	2,124,540	0.71%
10,001 ~ 15,000	74	935,440	0.31%
15,001 ~ 20,000	45	831,000	0.28%
20,001 ~ 30,000	18	464,000	0.15%
30,001 ~ 40,000	15	540,897	0.18%
40,001 ~ 50,000	9	413,000	0.13%
50,001 ~ 100,000	19	1,361,229	0.45%
100,001 ~ 200,000	8	1,138,751	0.38%
200,001 ~ 400,000	2	619,179	0.21%
400,001 ~ 600,000	5	2,379,188	0.79%
600,001 ~ 800,000	3	2,148,500	0.72%
800,001 ~ 1,000,000	2	1,794,000	0.60%
Make a self classification based on the actual situation when above 1,000,001	10	278,650,500	92.88%
Total	5,008	300,000,000	100.00%

(4) List of Major Shareholders

Names of Major shareholders	No. of shares	Shares	Percentage %
Yulon Motor Co., Ltd.		143,500,000	47.83
Nissan Motor Co., Ltd.		120,000,000	40.00
Yu Ching Business Co., Ltd.		3,500,000	1.17
Sin-Chi Co., Ltd.		3,050,000	1.02
Wei Wen Investment Co., Ltd.		1,878,000	0.63
Wei Tai Investment Co., Ltd.		1,778,000	0.59
Lo-Wen Enterprises Co., Ltd.		1,500,000	0.50
Bureau of Labor Insurance – New Plan		1,291,500	0.43
Nan Shan Life Insurance Co., Ltd.		1,100,000	0.37
Cathay Life Insurance Co., Ltd.		1,053,000	0.35

(5) Information about Market Price per share, Net Value, Earnings, Dividends and Related Information in Recent 2 Years

Item		Fiscal Year			
		2014 year	2015 year	Current Fiscal Year and before May 14, 2016	
Market value Per share	Highest	440	345.5	279	
	Lowest	271.5	228.0	193	
	Average	354.53	291.55	224.76	
Net Assets Per share	Before distribution	89.77	73.18	75.86	
	After distribution	59.77	-	-	
EPS(Earning Per Share)	Weighted average number of shares	300,000,000	300,000,000	300,000,000	
	EPS(Earning Per Share)	21.75	13.89	3.64	
Dividend Per share	Cash Dividend		30.00	-	-
	Stock Dividend	-	-	-	-
		-	-	-	-
	Cumulative un-paid dividend		-	-	-
Analysis on ROI(Return on Investment)	Price-Earnings(P/E) Ratio		16.30	20.99	-
	Price-Dividend Ratio		11.82	-	-
	Dividend Yield		8%	-	-

(6) Dividend Policy and Execution Status

1. Dividend Policy governed by this Company By-Laws

For the Company's net income at the end of each fiscal year, in addition to the income tax withheld by law, the loss appropriation for prior years must be processed first, then, appropriating 10% legal surplus from the balance amount and other earnings surplus and/or reserve in accordance with the component authorities. If any surplus still remains, it shall be distributed as follows:

- (1) 0.1% ~ 5% as Employee Bonus.
- (2) The Board of Directors shall draft a distribution proposal of the remaining balance together with the accumulated undistributed earnings from the last fiscal year and present it to the Shareholders Meeting final resolution.

This company is in a mature and stable industry. While mapping out our dividend distribution program, we would take the profitability, capital requirement for future operation, possible change in the industry environment, shareholder equity and balance of dividend as well as long-term financial planning into consideration. Dividend would be distributed in cash and stock. Dividend in cash would be declared on profit made for specific fiscal period and shall not be less than 20% of the total dividend declared for the year.

The amendment of Company Act in May 2015 deleted the employee dividends from the articles associated with previous surplus distribution and established additional articles to request the company to stipulate on the articles of association and distribute employee remuneration in accordance with the

fixed proportion or ratio of the profits for that year. The company is scheduled to comply with the aforementioned regulations and revise the company articles of association at the annual meeting of shareholders in 2016.

Content of articles of association drafted by the company :

If the Company has profits for the current year, it shall be distributed not less than 0.1% as employees' compensation. The employees' compensation to be resolved in the form of shares or in cash, is agreed upon by a resolution of the Board of Directors and shall be submitted to the shareholders' meeting. However, if the Company has the accumulated losses, the profits must be reserved in advance to offset such losses. Then according to the ratio mentioned in preceding paragraph, to be reserved for such employees' compensation.

For the Company's net income at the end of each fiscal year, it shall cover the accumulated losses first, then, appropriating 10% as legal reserve, and set aside or reverse special reserve in accordance with the law. The shareholders' dividend or bonuses out of remaining current profit and undistributed retained earnings shall be proposed first by the Board of Directors and to be resolved in the shareholders meeting.

The Company is in a stable and mature industry. Factors such as Company's profitability, funding of future operation and change in industrial environment, shareholder's interest and long term financial planning shall be considered in planning the Company's dividend distribution scheme. The amount shall not exceed 90% of current net income as the principal, however, the final dividend distribution ratio shall be proposed first by the board of directors and to be resolved in the shareholders meeting, regardless of such principle. Distribution of dividend is in the form of cash or shares. Cash dividend each year shall not be less than 20% of the total amount of the appropriated dividend of current year.

2. The proposal to this Shareholders Meeting for dividend distribution as follows

The proposal to the Shareholders General Meeting for 2016 for the dividend distribution is cash dividend at NT\$12.5 per share.

(7) The effect of the distribution of stock dividend as proposed by this Shareholders Meeting on operation performance and earning per share : Nil

(8) Compensation of the Employee, Directors and Supervisors

1. The articles of association indicate the percentage or scope of compensation for the employees, directors and supervisors:

The company is scheduled to comply with the laws for revising the company articles of association at the annual meeting of shareholders in 2016. According to the provisions prescribed in the articles of association drafted by the company, the company shall appropriate no less than 0.1% of the company profit for that year as the remuneration of employees, if any.

Directors and supervisors of the Company may be paid NTD 100,000 (including the transportation allowances) monthly.

- 2 Yulon Nissan adopted the distribution proposal of the company's 2015 cash remuneration payable to employees at the Board of Directors Meeting on March 28, 2016 in accordance with the estimation of certain ratio from the profits of current year. In the event of discrepancy between the aforementioned estimation amount and the actual amount distributed, the accounting department shall process in according with variation in estimation and adjust to account in the year of distribution.
3. Information on the Board of the Directors adopting distribution compensation:

2015 director, supervisor and employee compensation

	Board Resolution (03/28/2016)
	Amount (NT\$)
Directors' and Supervisors' Compensation (Cash)	0
Employee's Compensation (Cash)	11,500,000
Total	11,500,000

4. The employee's bonus and directors/supervisors' remuneration paid from last fiscal year's earnings is:

	Board Resolution (05/11/2015)	Actual Result
	Amount (NT\$)	Amount (NT\$)
Directors/Supervisors remuneration (Cash)	0	0
Employee bonus (Cash)	32,722,800	32,722,800
Total	32,722,800	32,722,800

(9) Status of company's repurchased Treasury Shares : Nil**2. Corporate Bonds issued : Nil****3. Preferred Stock issued : Nil****4. GDR(Global Depositary Receipt) issued : Nil****5. Employee Stock Options issued : Nil****6. Restricted Stock Dividends of Employee Issued : Nil****7. New shares issued for merger or acquisition : Nil**

8. Recorded up to the previous one quarter of the Date of the Report is in Printing, previously issued or privately raised marketable securities that are still not completed or the completed and planned benefits but not shown over the recent 3 years : Nil

| V · Highlights Of Operations |

1. Business Content

(1) Business Scope

1. Business Scope

(1) Business Content: The company's main operating items include the design, research, development, sales and spare parts of cars products:

A. Passenger Vehicles: Sedan, RV and its components

B. Commercial Vehicles: Diesel Truck, Diesel Chassis and its components

(2) Operating weight

Unit : NTD thousand

Business Content	Fiscal year 2015		Fiscal year 2014	
	Amount	Percentage(%)	Amount	Percentage(%)
Finished cars	29,550,469	88.96	29,690,734	89.49
Parts	3,604,655	10.85	3,435,623	10.36
Other	63,270	0.19	50,480	0.15
Total	33,218,394	100.00	33,176,837	100.00

(3) Current main products

A. NISSAN brand:

Mew March series: 1.5L 4-speed automatic 5-door sedan

ALL NEW LIVINA series: 1.6L: featuring continuously variable transmission, 5-door RV

TIIDA series: 1.6/: 4-speed automatic transmission.

BIG TIIDA series: 1.6 L continuous variable speed hatchback

SUPER SENTRA series: 1.8L all-speed automatic transmission, 4-door sedan

TEANA series: 2.0/2.5L all-spee automatic transmission, 4-door sedan

370Z series: 3.7L imported 6-speed automatic/manual transmission sports car

X-TRAIL model: 2.0/2.5L CVT Continuously Variable Transmission 4WD SUV.

JUKE series: Imported SUV featuring continuously variable transmission (CVT)

GTR series: 3.8L imported six-speed powershift sports car

B. INFINITI:

Q30: L4 2.0 Turbo / 1.6 Turbo 7-Speed Automatic/Manual 5-Door Luxury Hatchback

Q50: L4 2.0L Turbo Manual/Automatic 7-speed, 4-door mid-sized luxury compact sport car

Q50: V6 3.5L Hybrid Manual/Automatic 7-speed, 4-door luxury compact sport car.

Q60: V6 3.7L Manual/Automatic 7-speed, 2-door luxury sport.

Q70: V6 2.5L Manual/Automatic 7-speed, 4-door luxury compact sport car.

Q70: V6 3.7L Manual/Automatic 7-speed, 4-door luxury crossover SUV

QX50: V6 3.7L Manual/Automatic 7-speed, 5-door mid-sized luxury crossover SUV.

QX60: V6 3.5L CVT Continuously Variable Transmission, 5-Door seven-passenger luxury SUV.

QX60: V6 2.5L Hybrid CVT Continuously Variable Transmission, 5-Door seven-passenger luxury SUV

QX70: V6 3.7L Manual/Automatic 7-Speed, 5-Door luxury SUV

(2) Industry Summary

1. Industry Environment Analysis

(1) Global Economic Environment

The slow capital flow and poor global trade that led to the poor performance by the economies in large emerging and developing countries such as the BRICK while the drop in energy price and other large commodity price as well as the gradual shrinking of monetary policy adopted by U.S., are all adverse to the development of global economic prosperity. In particular, the recovery of economics in emerging and developing countries will be slower while the economies of developed countries will continue recovering mildly. The global economic growth estimates in 2016 conducted by research institutions are shown in the following table:

2016 Global Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
IMF International Monetary Fund	3.2%↓ (3.4%)	Apr 2016
World Bank	2.9%↓ (3.3%)	Jan 2016

※The numbers inside () refer to the previous forecast value

(2) China Economic Environment

Due to the lack of strength in global economic recovery plus the productivity surplus faced by China during the economic restructuring process, declined manufacturing profits, local governmental debts, and sharp increase of corporate bonds, the bad loan ratios of banks, and other interference factors that suppress the economic growth momentum, the 2015 China GDP annual growth rate was 6.9%, hitting a record low in the last 79 years.

In view of this, the Chinese Government launched a supply structural reform to remove surplus productivity and inventory, remove leverage, reduce corporate production costs and expand effective supply as objectives to promote the economic growth. The International Monetary Fund (IMF) revealed in its global economic prospect update report released in April that the macro economic growth of China in general meets expectation and is expected to reach the growth rate of 6.5% this year. The estimation on China's economic growth conducted by all institutions is provided in the following Table.

2016 China Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
China Government	6.5% ~ 7.0%	Mar 2016
IMF International Monetary Fund	6.5% ↑ (6.3%)	Apr 2016
Asian Development Bank	6.5% ↓ (6.7%)	Mar 2016

※The numbers inside () refer to the previous forecast values

(3) Domestic Economic Environment

The global economy is expected to be better than last year and the inventory of semiconductor industry is approaching to normal level. The export sales of electronic products is expected to improve gradually. However, the recession of new-developed countries slow down the recovery of the global economy and may impede the progress of export sales. To respond to development of internet of things and big data business and to maintain the lead in manufacture procedure, the

investors continually expand higher-order production capacity. Driven by “the Measures to Boost Consumption”, the buying may continue going. Overall, the economy may get better though the booming is slow, and should pay attention to the risks caused by international economy and trade. The estimations of the growth of Taiwan economy done by the research agencies are as follows:

2016 Taiwan Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcemt
Directorate-General of Budget, Accounting and Statistics, Executive Yuan	1.47% ↓ (2.32%)	Feb 2016
Taiwan Institute of Economic Research	1.27% ↓ (1.57%)	Apr 2016

※The numbers inside () refer to the previous forecast values

2. Industry Overview and Development

The 2015 automobile market was affected by the overall environmental-economic uncertainty and the issues of policy on commodity tax reduction for replacement, which led to the observation and slow purchase by customers. In spite that the Government resolved to expand the subsidy criteria from old cars export to export and discard in November, 2015, in order to strengthen market purchasing power. However the short brewing period at the end of the year prevented the overall market years for that year to effectively improve. The 2015 total car sales was 416,990 units (411 thousand units), down 0.9% compared with 2014. Nonetheless the interference factors were finally excluded following the end of presidential election and the continuous development of subsidy measures for replacement. It is estimated that the 2016 car sales can take the challenge of 420,000 units.

3. Relationships of the industry's upper, middle and down streams.

Upper streams: partners of manufacturing car parts and components.

Middle streams: center of manufacturing, R&D, and marketing.

Down streams: dealers directly dealing with customers and being responsible for car sales and after-sale services.

4. Development trend and competition by each product line

(1) Small family car(1600cc below):

In 2015. 53,053 domestic small saloon cars under 1600cc were sold, indicating a reduced rate of 1% compared to 2014, accounting for 36.2% of the domestic passenger car market.

(2) 2.0L or below car models(1600~2000cc):

In 2015. The medium sedan market sales reached 83,036 cars, accounting for 56.7% of domestic passenger vehicle market with an reduced of 21% from 2014.

(3) Decline of 2.0L or above car models

The sales volume in the large-sized car market in 2015 amounts to 10,438, the sales volume fell by 19% from 2014. A 7.1% market share in the domestic vehicles market.

(4) RV

The sales volume in the RV car market is 141,003 vehicles, the sales volume with an increase of 5% from 2014.

(3) Technology, Research and Development (R&D)

1. As of the most recent years and Printing of the Annual Report, the total R&D expenditure invested

Unit : NTD thousand

Item \ Fiscal Year	Fiscal year 2014	Fiscal year 2015	Current Fiscal Year and before May 14,2016(Note)
R&D expenditure	586,905	516,723	226,567
Net Sales	33,176,837	33,218,394	13,617,092
Percentage of R&D expenditure over Net Sales	1.8%	1.6%	1.7%

Note : The figures are self-totaled number

2. The technology and product successfully developed

- (1) September 2007: Completed the development of LIVINA new model.
- (2) November 2007: Completed the development of CABSTAR new model.
- (3) February 2009: Completed the development of new TEANA 08 model.
- (4) October 2011: Completed the development of new NEW MARCH model.
- (5) October 2012: Completed the development of new BIG TIIDA model.
- (6) October 2013: Completed the development of SUPER SENTRA model.
- (7) October 2013: Completed the Taiwan emission phase 5 development of TEANA / MARCH / TIIDA 4-door.
- (8) Jan. 2014 completed the development for ALL NEW LIVINA.
- (9) Oct. 2014 completed the development for modified model of SENTRA AERO.
- (10) Mar. 2015 completed the development of new-generation X-Trail model.
- (11) Apr. 2016 completed 6 car models, TEANA / MARCH / TIIDA 4-door/BIG TIIDA / SUPER SENTRA / ALL NEW LIVINA in accordance with the TPMS regulations.

3.R&D Plan

(1) Products to Be Developed & Time

Our Company continues to collaborate and communicate with NISSAN Japan closely to introduce new products that meet the market demand, on the basis of Taiwan market trend analysis and consumer requirement. The current selling models of LIVINA, SUPER SENTRA, BIG TIIDA, and X-TRAIL are all best-selling models in the market. In response to the rise of energy saving and environmental awareness, not only will our Company follows NISSAN's global product strategy by launching the EV/HEV models in near future, but we will also strengthen the SUV/CROSSOVER product lines to cope with the increasingly booming SUV market in order to continue expanding the market share.

(2) Expected Development Costs

Unit : NTD thousand

2016	2017	2018
418,491	426,995	377,589

(4) Long, short term business development plan

In recent years the substantial decline in oil price, surging demand for change of new cars, and driven by car manufacturers releasing new models, the growing momentum of automobile market gradually improves. Nonetheless the 2016 economic environment will not be in favor of the development for Taiwan's economic prospect due to the sluggish capital flow and poor global trade leading to the poor performance of economies in large emerging and developing countries such as the BRICK, while the decline in energy price and other large commodity prices, and the gradually tightening of monetary policy adopted by the United States continue to fluctuate the global economic market, the market is still subject to the impact of uncertain factors such as the U.S. withdrawal from QE mechanism, EU initiating QE policy, sharp fall and rise of currencies in other economic and trade zone, and the fluctuations in raw material prices. Hence the company continues to take active planning and develop long and short-term strategic actions for different stages to cope with sustained corporate growth demand and to assure the sustainable management and long-term profit performance of the company.

1. Short -term business development plan

(1) Product strategy

Design the optimal combination of car models and boost market share via a complementary strategy with domestic made car and imported car models incorporated.

Meanwhile, we also plan product lines close to the market trends , strive to produce the most attracting and needs-based products with an emphasized vehicle core value on better appearance, more durable usability, advanced technology and higher performance.

(2) Marketing strategy

A.Nissan:

(A).Yulon Nissan emphasizes on innovative products and secure services through the concept of “NISSAN creating a new value in passenger car” to build the brand image of “Security, Comfort, and Energy Saving.

(B).To advocate activities of “promoting brand image,” “enhanced internal consensus,” “promotion activities for all car models/CRM” and “promotion activities for car types” to increase the brand penetration for our goal.

(C).In order to enhance Car Advisor competitiveness, improve successful transaction rate, and provide more convenient purchasing experience, “interactive experience platform ” , “ test drive at your home ” , and ICT (Information and Communication Technology) tools such as "Nissan PAD" are introduced.

B.Infiniti:

(A).To stress the brand core value of “Inspired performance ”.

(B).To stress activities of “product experience marketing development,” “well-defined brand orientation” and “increased promotion effectiveness” to raise brand awareness.

(C). To strengthen its distribution, NISSAN will continue to build offices meeting the “IREDI INFINITI Retail Environment Design Initiative,” expand digital assisting tool application and P.C.E (Premium Customer Experience, five-star prestigious services with continuous improvement on SSL and CSI.

(3) Customer satisfaction strategies

A. Sales Service Satisfaction: Speed up and improve sales satisfaction through marketing management campaigns such as brand propaganda, elite sales cultivation, customer care and information, and aid tools (i.e. NISSAN PAD and interactive experience platform).

B. Post-Service Satisfaction: Develop CSI in attempt to become the leading brand in domestic post-sales service satisfaction in addition to reengineer customer issues quickly and customer relation management to enhance customer service satisfaction.

(4) Profit increasing strategies

To achieve the best profit efficacy by enhancing car model combination management, and to effectively increase car model sales and profits by continuous implementation of car model profit and cost management.

2. Long-term business development plan

(1) Implement changes in management system:

A. Promote next-generation HR system

The company will continue to develop strategy forming oriented learning organization and apply organizational process restructuring, V-up Japanese auto system analysis and problem-solving approach, and cost reduction to improve the efficiency of organizational operation. Meanwhile the company continues to expand the scope and application of knowledge management platform to create opportunities for employees to continuously learn and grow while building the learning environment and culture of organizations.

(A) Excellent marketing team program: Improve the capacity of marketing team.

(B) Outstanding supervisor program: Strengthen the management capacity of management level.

(C) Supervisor successor program: Pre-reserving successors for entry-level and middle supervisors

(D) Key talent retention: Effectively retain the key core talents of the company through reasonable and transparent assessment system.

(E) Dual-track system: Establish the long-term development direction for professional technical position and management position so the personnel will have explicit development course.

(F) Key process documentation: Record and retain the knowledge of corporate core values into documents through systematic approach for management and utilization.

B. Introduce next-generation information system

The corporate smart decision supporting system is equipped with the supplementing features of real-time information management and mobile adjustment strategy with effective integration of existing system. The system simplifies the operation process and bring management synergy into full play to facilitate the decision making support for different level of personnel at the company. Moreover, the company also continues to develop and improve Smart DMS to

strengthen the competitiveness in distributors, upgrade the sales power in distributors, customer satisfaction and operational benefits, and thereby improve the overall operational performance of the company.

C. Continue to refine “innovative” corporate culture

The future core competitive advantage will continue to develop from “innovation” with introduction of innovative products and services to effectively utilize the core intelligence capital of the company and comprehensively build customer values.

In terms of product innovation, the company will collect and manage customer opinions with introduction of mainstream models into process management, thereby to discover the potential demand for consumers, develop and introduce products meeting customer expectation, and create maximum values for customers and shareholders.

Continue to strengthen “quick service” in terms of service innovation: Effectively improve customer satisfaction through professional and trustworthy after-sales service and quick solution of customer problems.

- (2) Actively control ECFA progress, expand the planning of business development and achieve mutually reciprocal economic benefits

The company is committed in developing high-quality and differentiated products through the continuous strengthening of R&D potential, thereby actively develop export opportunities for regional car recovery and components. Following the increasingly intense Cross-Strait economic trade, the company will re-review the cross-strait division of labor architecture through ECFA signing by proposing the optimal division of labor production model in order to expand the Chinese market with more active and flexible division of labor, which forms strategic supplement with partners, expands business scale and create higher operational performance.

- (3) Cooperate with global eco-friendly, energy-saving and carbon-reduction trends in the development of clean automobiles

The company will continue to expand the introduction of eco-friendly clean vehicles to build the image of green brand, establishing the vision of green traffic and implementing the concept of co-existence in people, cars and nature

- (4) Positive response to the government policy on 5-year subsidy for replacement commodity tax, strengthening marketing strategy and establishing convenient exchange process

The consumer intent to purchase new cars in replacement has effectively been increased since the government announced the implementation of policy on commodity tax quota reduction for replacement of old cars in 2016. To grasp this policy trend and implement the brand philosophy of “security, comfort and energy-saving,” Yulon Nissan will design the marketing strategy with more ambition and establish an integrated management process in order to provide the best services and quality for control of policy associated business opportunities.

2. Market, Production & Sales Review

(1) Market Analysis

1. Sales Area of company's Main Products

This company's products are designing, R&D, Sales of Sedan, RV vehicles and commercial vehicles, and sales of other components. Taiwan area is our main sales area, in 2015, the local sales weight is 99%, and Indonesia and Egypt are the main export sales areas, the sales weight is 1%.

2. Market Share

In 2015, we sold 40,212 general cars with a market share of 15.7% and 3,204 import ones, with a market share of 2.1%. The total sales volume is 43,416 units and the market share is 10.6%. The total sales volume in 2015 is reduces 9.1% than 2014.

3. Analysis and Description of 2015 Market Sales Status and Growth

The automobile market was unstable and shaky in 2015. The economy of the first half year was not active and the second half year was shaken by stagnated stock market and uncertainty of commodity tax policy for replacement subsidy. These factors effected the sales of new cars was not so good as it was expected for the year.

4. Market Sales Forecast for This Year (2016)

Driven by the government on commodity tax reduction policy at the beginning of 2016, the car market extended from the popular sales at the end of 2015 to stimulate the consumers with more purchased together with the car maker's promotions. The domestic car market was already hot since the beginning of the year, with cumulative total market sales reaching 104,723 units from January to March, equivalent to that from the same period last year. Looking into the 2016 car market driven by the replacement policy, sustained low oil price and major car makers launching redesigned car models, the car market is projected to hit the 411,000 units in 2015, taking challenge to 415,000 units. Apart from promoting the release of designed four major models in 2016, including ALL NEW LIVINA, BIG TIIDA, SUPER SENTRA/SENTRA AERO and X-TRAIL, the Company will continue to update innovation and make appeal in the brand image of passionate driving in addition to meet the consumers' demand for replacement of economic model with entry-level cars. The company will also specifically support the government implementation on eco-friendly and energy-saving policy. Moreover in extension of the brand promotion from last year, the company will also launch a series of brand experience activities this year, including the handmade culinary classroom, car owner APP service enrichment, and journey to the nature for NISSAN fans to fully perceive the brand philosophy of "Security," "Comfort," and "Energy Saving" conveyed by NISSAN before, during and after the purchase. In 2016, the company will meet the annual sales target through the collaboration of the four major car models, including, ALL NEW LIVINA, BIG TIIDA, SUPER SENTRA/SENTRA AERO, and X-TRAIL with audio/video media as well as other innovative campaigns.

5. Competitive Niche

(1) Advantageous Operation and Management Ability

- A. Expand combined operational effects across the strait and of the group.
- B. Leverage Nissan's global resources to reduce part costs.
- C. Strengthen our financial management ability and investment performance.

(2) A Superior and Complete Product Line

- A. Introduce products that meet market and customer needs to create customers' value.
- B. Innovate IT to strengthen product variation and competitive advantages.
- C. Increase brand name celebrity of our imported cars to continuously grow our sales volume.
- D. To develop a green brand image and increase product value and brand awareness

- (3) Chinese Style of Design Ability
 - A. Play an important role in Nissan’s global R&D centers and dominate the design of some of our car models.
 - B. Create profits through our technical output.
 - C. Cater to the tastes of the Chinese market and design/develop products that can better meet customers’ needs.
- (4) A Comprehensive Service System
 - A. Provide real-time and comprehensive value-added services through our e-platform.
 - B. Increase our dealers’ overall operating and management ability.
 - C. To promote “Service Express” to effectively increase customer satisfaction
- (5) A Learning Organization
 - A. Increase our employees’ core, management and professional competency.
 - B. Mold a knowledge sharing culture and create a new operating pattern.
 - C. Increase the use of Nissan’s V-UP (DECIDE, V-FAST) system problem solving approach and gradually accumulate our acquired successful experience to form an innovative learning organization and establish long-term competitive advantages.

6. Advantageous and Disadvantageous Factors of Perspective Development and Strategies to Address

(1) Advantageous Factors

Our company will continue to use “innovation” as the core of our entire development, and center on our consumers’ value to increase our “product power” and “service quality” to create a higher competitive edge. For our “product power”, we will successively introduce Nissan’s quality car designs (NISSAN and INFINITI brands) and combine the personalized IT interface with our products to provide our consumers with a more convenient and mobile life.

A. In respect to NISSAN service, For our “service quality”, we will continue to provide our consumers with “genial”, “speedy”, “professional”, and “reliable” service with our thoughtful service ideal.

B. In terms of service, INFINITI will continue to build offices meeting the specification of IREDI (INFINITI Retail Environment Design Initiative)” in addition to offering P.C.E (Premium Customer Experience), 5-start prestigious services for car owners to experience premium service quality. Meanwhile INFINITI will introduce digital assisting tools to provide more superior service experience, creating higher added-value and customer satisfaction for consumers.

(2) Disadvantageous Factors

A. The expansion of imported luxury brands with introductory entry-level car models with lower price consumes the price and market of existing domestic cars.

B. The initiative of quantitative currency loosening policy by Japan and EU substantially enhances the price competitiveness of Japanese and European imported cars, causing the market share of domestic cars to substantially shrink.

C. In cooperation with government eco-friendly policy, the increase of convenience and availability of mass traffic transport network will affect consumers’ use of car and intention to purchase cars.

(3) Countermeasures

Nissan Motor Co., Ltd. will continue to uphold to “innovation” and introduce superior products and services in order to strengthen its competitiveness. The company will devote in creating higher values for consumers and thoroughly implement customer-oriented management philosophy to fully achieve the corporate vision in “becoming the benchmark enterprise of cross-strait automobile industry in “product innovation” and “service innovation.”

(2) The major usage and production processes of main products: The company's main business is design, research, develop, sale and components sales of car products, and there are no production processes, therefore it's not applicable.

(3) Supplies of main raw materials: The company is not a production manufacturing industry; therefore it's not applicable.

(4) List of Major Suppliers and Clients Over the Recent 2 Fiscal Years

1. Data of suppliers accounting for more than 10% of total purchases over the recent 2 fiscal years

Unit : NTD thousand

Rank	Fiscal year 2014				Fiscal year 2015				First Quarter in 2016			
	Supplier's Name	Amount	% to Net Purchase	Relationship with Yulon-Motor	Supplier's Name	Amount	% to Net Purchase	Relationship with Yulon-Motor	Supplier's Name	Amount	% to Net Purchase	Relationship with Yulon-Motor
1	Yulon Motor Co., Ltd.	27,438,045	99	Relative Party	Yulon Motor Co., Ltd.	26,442,155	98	Relative Party	Yulon Motor Co., Ltd.	7,656,202	99	Related Party
2	Others	404,834	1		Others	451,801	2		Others	106,471	1	
	Net Purchase amount	27,842,879	100		Net Purchase amount	26,893,956	100		Net Purchase amount	7,762,673	100	

2. Data of clients accounting for more than 10% of total sales over the recent 2 fiscal years

Unit : NTD thousand

Rank	Supplier's Name	Fiscal year 2014			Fiscal year 2015			First Quarter in 2016		
		Amount	% to Net Purchase	Relationship with Yulon-Motor	Amount	% to Net Purchase	Relationship with Yulon-Motor	Amount	% to Net Purchase	Relationship with Yulon-Motor
1	Taiwan Acceptance Corporation	29,532,957	89	Relative Party	29,363,162	88	Relative Party	8,447,181	89	Related Party
2	Others	3,643,880	11		3,855,232	12		1,055,701	11	
	Net Purchase amount	33,176,837	100		33,218,394	100		9,502,882	100	

(5) Production Volume over the recent 2 years: This company is not a production manufacturer industry; therefore it's not applicable.

(6) Sales Volume of Recent 2 Fiscal Years

Unit : Volume \ NTD thousand

Fiscal Year Sales Volume	Fiscal year 2014				Fiscal year 2015			
	Local Sales		Export Sales		Local Sales		Export Sales	
Main Produces (or by Department)	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Vehicle	46,190	29,690,734	-	-	43,108	29,550,469	-	-
Parts	-	3,067,762	-	367,861	-	3,320,909	-	283,746
Other	-	50,480	-	-	-	63,270	-	-
Total	-	32,808,976	-	367,861	-	32,934,648	-	283,746

3. Employee Data for the Recent Two Years and as of the Publication Date of Annual Report

Fiscal Year		Fiscal year 2014	Fiscal year 2015	Current Fiscal Year and before May 14,2016
No. of Employee	Marketing	200	207	210
	Management	80	78	79
	Reserch & Development	148	136	138
	Total	428	421	427
Average age		40.13	41.00	41.05
Average seniority		12.11	12.74	12.67
Academy Ratio	Doctor	0	0	1
	Master	219	221	222
	College	179	171	176
	Senior High School	28	27	26
	Below Senior High School	2	2	2

4. Expenditures on Environment Protection**(1) Losses and Disposal caused by environmental pollution over the recent 2 years: Nil****(2) Probable environmental expenditures:**

The Company has passed the ISO 14001 certification in Nov. 2015 and will continue to support the environment protection in the future. No major probable environmental expenditures are expected in the future.

5. Labor-Capital Relationship**(1) Current Prominent Labor-Capital Agreements, Employee Benefits and Their Implementation**

1. Status of Labor-Capital Agreements

(1) This company holds a monthly meeting with the labor representatives for proper communication of problems and improvements between the proprietor and the laborers.

- (2) Understand and pay more attention the needs and voice of the employee to promote the Labor-Capital harmony.
- (3) Ask for the opinions from the officials of the labor authorities, scholars or lawyers on relevant issues and hold seminars of relevant topics regularly.
- (4) Continue to strengthen our effort in educating the employees to enhance convergence.

2. Employee Benefits

- (1) Provide commuter's transportation and scheduled home-returning transportation free of charge.
- (2) Provides safe, convenient, quiet dormitory environment.
- (3) Establish employee welfares zone, which includes tennis court, indoor and outdoor basketball court, golf drivingrange, leisure garden, KTV, warm water swimming pool, sauna facilities, video/audio center, gymnasium, etc.
- (4) Organize annual celebration event company-wide, year-end lucky draw and banquet.
- (5) Set up Worker's Complaint Handling System to assist colleagues to solve working problems and to maintain their rights and privileges.
- (6) Institutionalize regulations on the prevention of sexual harassment to provide a harassment-free environment for the employees and employee-to-be. Necessary actions would be taken to prevent, correct, punish and handle acts of harassment, and to ensure the protection of the privacy of the victims as well as the rights of all employees.

3. Retirement System

- (1) This company complies with the requirements set forth in the Labor Standards Law and institutionalized relevant regulations on retirement and pecuniary aid in case of death.
- (2) For enhancing the quality of human resources and proper mechanism for replacing the old with the young employees, we have institutionalized a flexible retirement and resignation program.
- (3) The employee retirement regulations developed in accordance with "Labor Pension Act" belongs to the regulation governing pension appropriation. The Company has appropriated 6% from the monthly salary of employees to the individual pension fund accounts at the Bureau of Labor Insurance since July 1st, 2005. The 2015 and 2014, the Company has recognized the amount of appropriation according to the ration stipulated in the appropriation program to the Statement of Comprehensive Income in the amount of NT13,390 thousand and NT12,935 thousand, respectively.
- (4) The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

(2) Labor Dispute

This company has always treats our employees as its most valuable assets, and very serious about employees future development. Therefore, harmonized Labor-Capital has been maintained since the very beginning, and labor dispute that had caused company loss has never happened.

6. Prominent Contracts

Contract	Counter party	Contract Period	Highlights of Provisions	Restrictive Terms
Technical cooperation agreement	Nissan Motor Co., Ltd.	2003.11.1~2008.10.31 Note(1)	Technical cooperation to develop and manufacture a variety of vehicles	1. Restriction on sub-licensing to a third party 2. Restriction on sales beyond licensed territories
Dealing agreement on import cars	Nissan Motor Co., Ltd.	2003.11.1~2008.10.31 Note(1)	Dealing matters with import cars	1. Restriction on sales beyond licensed territories 2. Confidential responsibility on third party business
OEM, Substitute Materials Contract	Yulon Motor Co., Ltd.	2015.5.1~2020.4.30 Note(2)	Assembly for variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Restriction on sales beyond licensed territories
Sales Contract	Taiwan Acceptance Corporation	Note(3)	Provide Car Financing to Dealers	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yu Chang Motor Co., Ltd.	2014.3.1~2019.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yu Hsin Motor Co., Ltd.	2015.3.1~2019.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yu Tang Motor Co., Ltd. and other 2 companies	2012.3.1~2017.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yu Sing Motor Co., Ltd. and other 2 companies	2013.3.1~2018.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yuan Long Motor Co., Ltd. and other 3 companies	2013.3.1~2017.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Chen Long Motor Co., Ltd. and other 2 companies	2016.3.1~2019.2.29	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business

Note(1): If no action is taken to renew or non renew the contract at least 6 months prior to its expiration, the contract will automatically be renewed for 1 years.

Note(2): If no action is taken to renew or non renew the contract at least 3 months prior to its expiration, the contract will automatically be renewed for 1 years.

Note(2): Yulon Nissan Motor Co., Ltd., and Taiwan Acceptance Corporation are affiliates, and Dealers collections are made through Taiwan Acceptance Corp.; therefore contract duration was not specifically instituted.

| VI · Financial Information |

1. Condensed Financial Statements for the recent 5 fiscal year

(1) Condensed Balance Sheet and Comprehensive Income Statement Individual Condensed Balance Sheets-IFRS

Unit : NTD thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data as of March 31, 2016 (Note 1)
		2012	2013	2014	2015	
Current Assets		1,442,669	4,939,631	10,174,765	10,473,513	10,739,147
Property, plant and equipment		1,677,365	1,748,604	1,758,753	1,936,231	1,787,343
Intangible assets		11,369	7,887	12,346	14,330	25,912
Other assets		24,198,766	28,622,496	24,538,542	18,736,489	19,493,388
Total Assets		27,330,169	35,318,618	36,484,406	31,160,563	32,045,790
Current Liabilities	Before distribution	3,149,879	5,172,176	6,369,203	6,988,624	7,045,222
	After distribution	7,139,879	11,013,176	15,369,203	(Note 2)	-
Non-current liabilities		3,564,997	5,105,965	3,184,691	2,216,761	2,241,728
Total Liabilities	Before distribution	6,714,876	10,278,141	9,553,894	9,205,385	9,286,950
	After distribution	10,704,876	16,119,141	18,553,894	(Note 2)	-
Equity attributable to owners of the company		20,615,293	25,040,477	26,930,512	21,955,178	22,758,840
Share Capital		3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Capital Reserves		6,129,405	6,129,405	6,129,405	6,129,405	6,129,405
Retained Earnings	Before distribution	12,389,954	15,700,634	16,384,208	11,523,312	12,615,635
	After distribution	8,399,954	9,859,634	7,384,208	(Note 2)	-
Other equity		(904,066)	210,438	1,416,899	1,302,461	1,013,800
Treasury stock		-	-	-	-	-
Noncontrolling interest (NCI)		-	-	-	-	-
Total equity	Before distribution	20,615,293	25,040,477	26,930,512	21,955,178	22,758,840
	After distribution	16,625,293	19,199,477	17,930,512	(Note 2)	-

Note 1: Quarterly Statement of the First Quarter of 2016 has not been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2016 general meeting of shareholders.

Consolidated Condensed Balance Sheets-IFRS

Unit : NTD thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data as of March 31, 2016(Note 1)
		2012	2013	2014	2015	
Current Assets		14,954,714	18,135,802	16,262,960	12,313,731	15,650,787
Property, plant and equipment		1,677,365	1,748,604	1,758,753	1,936,231	1,787,343
Intangible assets		11,369	7,887	12,346	14,330	25,912
Other assets		10,686,931	15,426,672	18,472,488	16,914,743	14,598,929
Total Assets		27,330,379	35,318,965	36,506,547	31,179,035	32,062,971
Current Liabilities	Before distribution	3,150,089	5,172,523	6,369,203	6,989,699	7,045,305
	After distribution	7,140,089	11,013,523	15,369,203	(Note 2)	-
Non-current liabilities		3,564,997	5,105,965	3,206,832	2,234,158	2,258,826
Total Liabilities	Before distribution	6,715,086	10,278,488	9,576,035	9,223,857	9,304,131
	After distribution	10,705,086	16,119,488	18,576,035	(Note 2)	-
Equity attributable to owners of the company		20,615,293	25,040,477	26,930,512	21,955,178	22,758,840
Share Capital		3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Capital Reserves		6,129,405	6,129,405	6,129,405	6,129,405	6,129,405
Retained Earnings	Before distribution	12,389,954	15,700,634	16,384,208	11,523,312	12,615,635
	After distribution	8,399,954	9,859,634	7,384,208	(Note 2)	-
Other equity		(904,066)	210,438	1,416,899	1,302,461	1,013,800
Treasury stock		-	-	-	-	-
Noncontrolling interest (NCI)		-	-	-	-	-
Total equity	Before distribution	20,615,293	25,040,477	26,930,512	21,955,178	22,758,840
	After distribution	16,625,293	19,199,477	17,930,512	(Note 2)	-

Note 1: Financial data of Q1 are reviewed by the CPA with the adoption of IFRS.

Note 2: Earnings distribution proposal will be confirmed by 2016 general meeting of shareholders.

Individual Condensed Income Statement-IFRS

Unit : NTD thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data as of March 31, 2016 (Note)
		2012	2013	2014	2015	
Operating Revenue		29,134,530	31,486,050	33,170,141	33,218,394	9,502,882
Gross Profit		3,670,937	5,448,850	4,314,965	5,305,213	1,444,585
Operating profit or loss		542,072	1,856,646	801,184	1,256,316	387,980
Non-operating Income and Expenses		5,559,055	6,950,244	7,225,493	3,743,371	931,406
Profit before tax		6,101,127	8,806,890	8,026,677	4,999,687	1,319,386
Net income (loss)		4,939,070	7,299,997	6,523,759	4,165,901	1,092,363
Other comprehensive profit and loss (net)		(912,581)	1,115,187	1,207,276	(141,235)	(288,701)
Total current comprehensive profit and loss		4,026,489	8,415,184	7,731,035	4,024,666	803,662
Net income attributable to parent company's shareholders		4,939,270	7,299,997	6,523,759	4,165,901	1,092,363
Net income attributable to unrestrictive equity		-	-	-	-	-
Total comprehensive profit and loss attributable to parent company's shareholders		4,026,489	8,415,184	7,731,035	4,024,666	803,662
Total comprehensive profit and loss attributable to unrestrictive equity		-	-	-	-	-
EPS (Earning Per Share)		16.46	24.33	21.75	13.89	3.64

Note : Quarterly Statement of the First Quarter of 2016 has not been reviewed by CPAs.

Consolidated Condensed Income Statement-IFRSs

Unit : NTD thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data as of March 31, 2016 (Note)
		2012	2013	2014	2015	
Operating Revenue		29,134,530	31,486,050	33,176,837	33,218,394	9,502,882
Gross Profit		3,670,937	5,448,850	4,321,661	5,305,213	1,444,585
Operating profit or loss		512,388	1,832,179	786,229	1,234,816	382,610
Non-operating Income and Expenses		5,588,746	6,974,711	7,240,448	3,764,871	936,776
Profit before tax		6,101,134	8,806,890	8,026,677	4,999,687	1,319,386
Net income (loss)		4,939,070	7,299,997	6,523,759	4,165,901	1,092,363
Other comprehensive profit and loss (net)		(912,581)	1,115,187	1,207,276	(141,235)	(288,701)
Total current comprehensive profit and loss		4,026,489	8,415,184	7,731,035	4,024,666	803,662
Net income attributable to parent company's shareholders		4,939,070	7,299,997	6,523,759	4,165,901	1,092,363
Net income attributable to unrestrictive equity		-	-	-	-	-
Total comprehensive profit and loss attributable to parent company's shareholders		4,026,489	8,415,184	7,731,035	4,024,666	803,662
Total comprehensive profit and loss attributable to unrestrictive equity		-	-	-	-	-
EPS (Earning Per Share)		16.46	24.33	21.75	13.89	3.64

Note : Quarterly Statement of the First Quarter of 2016 has been reviewed by CPAs.

(2) Condensed Balance Sheet and Income Statement – the R.O.C. Financial Accounting Standards**Individual Condensed Balance Sheet – the R.O.C. Financial Accounting Standards**

Unit : NTD thousand

Item		Fiscal Year	Financial Data in recent 5 years				
						2011	2012
Current Assets						4,089,045	1,476,958
Fund and Investment						19,069,822	23,891,801
Fixed assets						37,166	45,236
Intangible assets						-	-
Other assets						1,459,623	1,729,328
Total Assets						24,655,656	27,143,323
Current Liabilities	Before distribution					2,698,572	3,147,752
	After distribution					5,758,572	7,137,750
Long term liabilities						-	-
Other liabilities						2,393,600	3,325,239
Total Liabilities	Before distribution					5,092,172	6,472,991
	After distribution					8,152,172	10,462,991
Share Capital						3,000,000	3,000,000
Capital Reserves						5,988,968	6,129,405
Retained Earnings	Before distribution					10,110,362	11,980,839
	After distribution					7,050,362	7,990,839
Unrealized gains/losses On financial products						-	-
Cumulative Translation Adjustment						464,154	(439,912)
Net loss not recognized as pension cost						-	-
Total shareholder equity	Before distribution					19,563,484	20,670,332
	After distribution					16,503,484	16,680,332

Consolidated Condensed Balance Sheet – the R.O.C. Financial Accounting Standards

Unit : NTD thousand

Fiscal Year Item		Financial Data in recent 5 years				
					2011	2012
Current Assets					13,848,011	14,989,003
Fund and Investment					9,310,797	10,379,966
Fixed assets					37,166	45,236
Intangible assets					-	-
Other assets					1,459,680	1,729,328
Total Assets					24,655,654	27,143,533
Current Liabilities	Before distribution				2,698,570	3,147,962
	After distribution				5,758,570	7,137,962
Long term liabilities					-	-
Other liabilities					2,393,600	3,325,239
Total Liabilities	Before distribution				5,092,170	6,473,201
	After distribution				8,152,170	10,463,201
Share Capital					3,000,000	3,000,000
Capital Reserves					5,988,968	6,129,405
Retained Earnings	Before distribution				10,110,362	11,980,839
	After distribution				7,050,362	7,990,839
Unrealized gains/losses On financial products					-	-
Cumulative Translation Adjustment					464,154	(439,912)
Net loss not recognized as pension cost					-	-
Total shareholder equity	Before distribution				19,563,484	20,670,332
	After distribution				16,503,484	16,680,332

Individual Condensed income statement – the R.O.C. Financial Accounting Standards

Unit : NTD thousand

Fiscal Year Item	Financial Data in recent 5 years				
				2011	2012
Operating Revenue				32,115,351	29,134,530
Gross Profit				4,735,148	4,028,900
Operating Income				1,049,039	889,502
Non-Operating Revenue and Gain				3,644,374	5,608,459
Non-Operating Expenses and losses				95,506	407,187
Gain (loss) before tax from continuing operation				4,597,907	6,090,774
Gain (loss) from continuing operation				3,831,565	4,930,477
Gain (loss) from discontinued operating				-	-
Nonrecurring gain or loss				-	-
Cumulative effect of changes in accounting principles				-	-
Net Income (Loss)				3,831,565	4,930,477
EPS (Earning Per Share)				12.77	16.43

Consolidated Condensed income statement – the R.O.C. Financial Accounting Standards

Unit : NTD thousand

Fiscal Year Item	Financial Data in recent 5 years				
				2011	2012
Operating Revenue				32,115,351	29,134,530
Gross Profit				4,735,148	4,028,900
Operating Income				1,048,713	859,818
Non-Operating Revenue and Gain				3,606,612	5,633,431
Non-Operating Expenses and losses				57,418	402,468
Gain (loss) before tax from continuing operation				4,597,907	6,090,781
Gain (loss) from continuing operation				3,831,565	4,930,477
Gain (loss) from discontinued operating				-	-
Nonrecurring gain or loss				-	-
Cumulative effect of changes in accounting principles				-	-
Net Income (Loss)				3,831,565	4,930,477
EPS (Earning Per Share)				12.77	16.43

(3) CPAs' Name and Auditor opinions

Fiscal Year	2011	2012	2013	2014	2015
CPA (Certified public accountant)	En-Min Wu Chien-Hsin Hsieh	Chien-Hsin Hsieh En-Min Wu	Chien-Hsin Hsieh En-in Wu	Chien-Hsin Hsieh Wan-Yi Liao	Wan-Yi Liao Chien-Hsin Hsieh
Auditors' opinions	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

2. Financial analysis in recent 5 years

(1) Financial Ratio Analysis complying with IFRS - individual

Analysis items		Fiscal Year	Financial analysis in recent 5 years				The financial data as of March 31, 2016 (Note 1)
			2012	2013	2014	2015	
Finance Structure%	Debt to assets ratio		25	29	26	30	29
	Long term funds to Property, plant and equipment ratio		1,442	1,724	1,712	1,248	1,399
Liquidity %	Current Ratio		46	96	160	150	152
	Quick Ratio		46	95	160	150	150
	Interest coverage ratio		3,139	519	189	137	150
Operating Performance	Receivables turnover (times)		49	66	105	93	58
	Average number days receivables outstanding		7	5	3	4	6
	Inventory turnover (times)		15,248	14,489	12,058	9,694	12,200
	Payable turnover (times)		13	16	31	36	21
	Average inventory turnover days		-	-	-	-	-
	Property, plant and equipment turnover (times)		19	18	19	18	20
	Total asset turnover (times)		1	1	1	1	1
Profitability	Return on assets (%)		19	23	18	12	14
	Return on equity (%)		25	32	25	17	20
	Pre-tax Income to Paid-in Capital Ratio (%)		203	294	268	166	176
	Profit margin (%)		17	23	20	13	12
	Earning Per Share (NT dollar)		16.46	24.33	21.75	13.89	3.64
Cash Flow	Cash flow from operations ratio (%)		120	27	3	(Note 3)	(Note 3)
	Cash flow adequacy ratio (%)		91	64	46	29	17
	Cash Flow Re-investment Ratio (%)		3	(Note 2)	(Note 2)	(Note 3)	(Note 3)
Leverage	Operating leverage		2	1	2	2	1
	Financial leverage		1	1	1	1	1

Explanation of the changes in each financial ratio in recent two years:

- 1.The reduction of long-term capital ratio to property, plants and equipment is mainly resulted from the more cash dividend distributed this year and reduction of total shareholder's equity.
- 2.The interest protection multipliers were reduced due to the reduction of income from reinvestment to the company this year, which led to the reduction of earning before tax.
- 3.Lowered inventory turnover ratio was caused by the reduction in the inventory cost this year.
- 4.The reduction in return on assets, return on equity, profit before tax to paid-in capital ratio, net profit margin, and earnings per share was a result of the profit reduction in reinvested company this year that led to the reduction of company profits.
- 5.Reduced cash flow adequacy ratio was caused by more cash dividends paid this year.

Note1 : Quarterly Statement of the First Quarter of 2016 has not been reviewed by CPAs.

Note2 : 2013 & 2014 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : 2015 and the first quarter of 2016 was a net cash outflow from operating activities, therefore it is not counted.

Note4: The formula is as follows:

1.Finance structure

(1)Debt to assets ratio = total liabilities/total assets.

(2)Long term funds to property, plant and equipment ratio = (net shareholders' equity + Long term liabilities)/net fixed assets.

2.Liquidity

(1)Current ratio = current assets/current liabilities.

(2)Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(3)Interest coverage ratio = before income tax expenses and interest expense/current interest expense.

3.Operating Performance

(1)Receivables (including Account Receivable and Note Receivable from operating) turnover = cost of goods sold/average accounts Receivable (including Account Receivable and Note Receivable from operating).

(2)Average number days receivables outstanding = 365 days/average receivable turnover.

(3)Inventory turnover (times) = cost of goods sold/average inventory.

(4)Payable (including Account Payable and Note Payable from operating) turnover = cost of goods sold/average accounts payable (including Account Payable and Note Payable from operating).

(5)Average inventory turnover days = 365 days/average inventory turnover.

(6)Property, plant and equipment turnover (times) = net sales/net fixed assets.

(7)Total asset turnover = net sales/total assets.

4.Profitability

(1)Return on assets = [net income after tax + interest expense x (1-tax ratio)]/average total assets.

(2)Return on equity = shareholders' equity/net income after tax.

(3)Profit margin = net income after tax/net sales.

(4)Earning Per Share = (net income after tax - preferred dividend)/weighted average number of shares.

5.Cash flow

(1)Cash flow from operations ratio = cash flow from operations/current liabilities.

(2)Net Cash flow adequacy ratio = cash flow from operations of recent five fiscal years/recent five fiscal years' (capital expenditure + increase in inventory + cash dividend).

(3)Cash flow re-investment ratio= (cash flow from operations - cash dividend)/(gross fixed assets + long-term investment + other asset + operation capital).

6.Leverage:

(1)Operating leverage = (net operating revenue - variable operating cost and expense)/operating net income.

(2)Financial leverage = operating revenue/(operating revenue - interest expense).

Financial Ratio Analysis complying with IFRS - Consolidated

Analysis items		Fiscal Year	Financial analysis in recent 5 years				The financial data as of March 31, 2016 (Note 1)
				2012	2013	2014	
Finance Structure%	Debt to assets ratio		24	29	26	30	29
	Long term funds to Property, plant and equipment ratio		1,441	1,724	1,714	1,249	1,400
Liquidity %	Current Ratio		474	350	255	176	222
	Quick Ratio		452	334	247	175	218
	Interest coverage ratio		3,139	519	189	137	150
Operating Performance	Receivables turnover (times)		50	66	106	75	17
	Average number days receivables outstanding		7	5	3	5	22
	Inventory turnover (times)		15,247	14,489	12,058	9,694	12,200
	Payable turnover (times)		14	16	31	26	21
	Average inventory turnover days		-	-	-	-	-
	Property, plant and equipment turnover (times)		19	18	19	18	20
	Total asset turnover (times)		1	1	1	1	1
Profitability	Return on assets (%)		19	23	18	12	14
	Return on equity (%)		25	32	25	17	20
	Pre-tax Income to Paid-in Capital Ratio (%)		203	294	268	167	176
	Profit margin (%)		17	23	20	13	12
	Earning Per Share (NT dollar)		16.46	24.33	21.75	13.89	3.64
Cash Flow	Cash flow from operations ratio (%)		120	27	(Note 3)	(Note 3)	(Note 3)
	Cash flow adequacy ratio (%)		163	108	69	39	8
	Cash Flow Re-investment Ratio (%)		3	(Note2)	(Note 3)	(Note 3)	(Note 3)
Leverage	Operating leverage		1	1	2	2	1
	Financial leverage		1	1	1	1	1
Explanation of the changes in each financial ratio in recent two years: <ol style="list-style-type: none"> 1.The reduction of long-term capital ratio to property, plants and equipment is mainly resulted from the more cash dividend distributed this year and reduction of total shareholder's equity . 2.Lowered current ration and quick ratio were caused by the payment of more cash dividends this year which led to the reduction of current assets. 3.The interest protection multipliers were reduced due to the reduction of income from reinvestment to the company this year, which led to the reduction of earning before tax.s. 4.Lowered receivable turnover ratio was caused by the slower pace of receivable collection at the end of this year. 5.Lowered inventory turnover ratio was caused by the reduction in the inventory cost this year. 6.The reduction in return on assets, return on equity, profit before tax to paid-in capital ratio was a result of the profit reduction in reinvested company this year that led to the reduction of company profits. 7.The reduction in earnings per share for net profit margin was a result of the profit reduction in reinvested company this year that led to the reduction of company profits. 8.Reduced cash flow adequacy ratio was caused by more cash dividends paid this year. 							

Note1 : Quarterly Statement of the First Quarter of 2016 has been reviewed by CPAs.

Note2 : 2013 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : 2014, 2015 and 2016 Q1 operational activities were net cash outflow and therefore not included in the calculation.

Note4: The formula is as follows:

1. Finance structure

(1) Debt to assets ratio = total liabilities/total assets.

(2) Long term funds to property, plant and equipment ratio = (net shareholders' equity + Long term liabilities)/net fixed assets.

2. Liquidity

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(3) Interest coverage ratio = before income tax expenses and interest expense/current interest expense.

3. Operating Performance

(1) Receivables (including Account Receivable and Note Receivable from operating) turnover = cost of goods sold/average accounts Receivable (including Account Receivable and Note Receivable from operating).

(2) Average number days receivables outstanding = 365 days/average receivable turnover.

(3) Inventory turnover (times) = cost of goods sold/average inventory.

(4) Payable (including Account Payable and Note Payable from operating) turnover = cost of goods sold/average accounts payable (including Account Payable and Note Payable from operating).

(5) Average inventory turnover days = 365 days/average inventory turnover.

(6) Property, plant and equipment turnover (times) = net sales/net fixed assets.

(7) Total asset turnover = net sales/total assets.

4. Profitability

(1) Return on assets = [net income after tax + interest expense x (1-tax ratio)]/average total assets.

(2) Return on equity = shareholders' equity/net income after tax.

(3) Profit margin = net income after tax/net sales.

(4) Earning Per Share = (net income after tax - preferred dividend)/weighted average number of shares.

5. Cash flow

(1) Cash flow from operations ratio = cash flow from operations/current liabilities.

(2) Net Cash flow adequacy ratio = cash flow from operations of recent five fiscal years/recent five fiscal years' (capital expenditure + increase in inventory + cash dividend).

(3) Cash flow re-investment ratio = (cash flow from operations - cash dividend)/(gross fixed assets + long-term investment + other asset + operation capital).

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating cost and expense)/operating net income.

(2) Financial leverage = operating revenue/(operating revenue - interest expense).

(2) Financial analysis -ROC GAPP- Individual

Analysis items		Fiscal Year		Financial analysis in recent 5 years		
				2011	2012	
Finance Structure%	Debt to assets ratio			21	24	
	Long term funds to fixed assets ratio			52,638	45,694	
Liquidity %	Current Ratio			152	47	
	Quick Ratio			149	45	
	Interest coverage ratio			3,871	3,134	
Operating Performance	Receivables turnover (times)			71	49	
	Average number days receivables outstanding			5	7	
	Inventory turnover (times)			19,494	15,033	
	Payable turnover (times)			27	13	
	Average inventory turnover days			-	-	
	Fixed asset turnover (times)			864	644	
	Total asset turnover (times)			1	1	
Profitability	Return on assets (%)			17	19	
	Return on equity (%)			21	25	
	Percentage to paid-in capital%	Operation income			35	30
		Income before Tax			153	203
	Profit margin (%)			12	17	
Earning Per Share (NT dollar)			12.77	16.43		
Cash Flow	Cash flow from operations ratio (%)			83	120	
	Cash flow adequacy ratio (%)			105	127	
	Cash Flow Re-investment Ratio (%)			3	3	
Leverage	Operating leverage			1	2	
	Financial leverage			1	1	

Explanation of the changes in each financial ratio in 2011 and 2012:

1. The decreasing of current ratio and quick ratio is mainly caused by redemption fund in 2012
2. The decreasing of receivables turnover, inventory turnover, fixed asset turnover, operation income on paid-in capital ratio is mainly caused by the decrease in sales.
3. The increasing of return on assets, return on equity, income before tax on paid-in capital ratio, profit margin and EPS is mainly caused by the increasing of mainland investment profit.
4. The increasing of cash flow from operations ratio and cash flow adequacy ratio is mainly caused by redemption fund in 2012 and then current cash debt coverage ratio increased.

Note: The formula is as follows:

1. Finance structure

- (1) Debt to assets ratio = total liabilities/total assets.
- (2) Long term funds to fixed assets ratio = (net shareholders' equity + Long term liabilities)/net fixed assets.

2. Liquidity

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.
- (3) Interest coverage ratio = before income tax expenses and interest expense/current interest expense.

3. Operating Performance

- (1) Receivables (including Account Receivable and Note Receivable from operating) turnover = cost of goods sold/average accounts Receivable (including Account Receivable and Note Receivable from operating).
- (2) Average number days receivables outstanding = 365 days/average receivable turnover.
- (3) Inventory turnover (times) = cost of goods sold/average inventory.
- (4) Payable (including Account Payable and Note Payable from operating) turnover = cost of goods sold/average accounts payable (including Account Payable and Note Payable from operating).
- (5) Average inventory turnover days = 365 days/average inventory turnover.
- (6) Fixed asset turnover (times) = net sales/net fixed assets.
- (7) Total asset turnover = net sales/total assets.

4. Profitability

- (1) Return on assets = [net income after tax + interest expense x (1-tax ratio)]/average total assets.
- (2) Return on equity = shareholders' equity/net income after tax.
- (3) Profit margin = net income after tax/net sales.
- (4) Earning Per Share = (net income after tax - preferred dividend)/weighted average number of shares.

5. Cash flow

- (1) Cash flow from operations ratio = cash flow from operations/current liabilities.
- (2) Net Cash flow adequacy ratio = cash flow from operations of recent five fiscal years/recent five fiscal years' (capital expenditure + increase in inventory + cash dividend).
- (3) Cash flow re-investment ratio= (cash flow from operations - cash dividend)/(gross fixed assets + long-term investment + other asset + operation capital).

6. Leverage:

- (1) Operating leverage = (net operating revenue - variable operating cost and expense)/operating net income.
- (2) Financial leverage = operating revenue/(operating revenue - interest expense).

Financial analysis -ROC GAPP- Consolidated

Analysis items		Fiscal Year		Financial analysis in recent 5 years		
				2011	2012	
Finance Structure%	Debt to assets ratio			21	24	
	Long term funds to fixed assets ratio			52,638	45,694	
Liquidity %	Current Ratio			513	476	
	Quick Ratio			497	452	
	Interest coverage ratio			3,871	3,134	
Operating Performance	Receivables turnover (times)			72	51	
	Average number days receivables outstanding			5	7	
	Inventory turnover (times)			19,495	15,033	
	Payable turnover (times)			26	16	
	Average inventory turnover days			-	-	
	Fixed asset turnover (times)			864	644	
	Total asset turnover (times)			1	1	
Profitability	Return on assets (%)			17	19	
	Return on equity (%)			21	25	
	Percentage to paid-in capital%	Operation income			35	29
		Income before Tax			153	203
	Profit margin (%)			12	17	
Cash Flow	Earning Per Share (NT dollar)			12.77	16.43	
	Cash flow from operations ratio (%)			259	270	
	Cash flow adequacy ratio (%)			131	203	
Leverage	Cash Flow Re-investment Ratio (%)			24	23	
	Operating leverage			1	2	
	Financial leverage			1	1	

Explanation of the changes in each financial ratio in 2011 and 2012:

- 1.The decreasing of receivables turnover, inventory turnover, fixed asset turnover, operation income on paid-in capital ratio is mainly caused by the decrease in sales.
- 2.The increasing of return on assets, return on equity, income before tax on paid-in capital ratio, profit margin and EPS is mainly caused by the increasing of mainland investment profit.
- 3.The increasing of cash flow from operations ratio and cash flow adequacy ratio is mainly caused by redemption fund in 2012 and then current cash debt coverage ratio increased.

Note : The formula is as follows:

1. Finance structure

- (1) Debt to assets ratio = total liabilities/total assets.
- (2) Long term funds to fixed assets ratio = (net shareholders' equity + Long term liabilities)/net fixed assets.

2. Liquidity

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.
- (3) Interest coverage ratio = before income tax expenses and interest expense/current interest expense.

3. Operating Performance

- (1) Receivables (including Account Receivable and Note Receivable from operating) turnover = cost of goods sold/average accounts Receivable (including Account Receivable and Note Receivable from operating).
- (2) Average number days receivables outstanding = 365 days/average receivable turnover.
- (3) Inventory turnover (times) = cost of goods sold/average inventory.
- (4) Payable (including Account Payable and Note Payable from operating) turnover = cost of goods sold/average accounts payable (including Account Payable and Note Payable from operating).
- (5) Average inventory turnover days = 365 days/average inventory turnover.
- (6) Fixed asset turnover (times) = net sales/net fixed assets.
- (7) Total asset turnover = net sales/total assets.

4. Profitability

- (1) Return on assets = [net income after tax + interest expense x (1-tax ratio)]/average total assets.
- (2) Return on equity = shareholders' equity/net income after tax.
- (3) Profit margin = net income after tax/net sales.
- (4) Earning Per Share = (net income after tax - preferred dividend)/weighted average number of shares.

5. Cash flow

- (1) Cash flow from operations ratio = cash flow from operations/current liabilities.
- (2) Net Cash flow adequacy ratio = cash flow from operations of recent five fiscal years/recent five fiscal years' (capital expenditure + increase in inventory + cash dividend).
- (3) Cash flow re-investment ratio= (cash flow from operations - cash dividend)/(gross fixed assets + long-term investment + other asset + operation capital).

6. Leverage:

- (1) Operating leverage = (net operating revenue - variable operating cost and expense)/operating net income.
- (2) Financial leverage = operating revenue/(operating revenue - interest expense).

3. Supervisor Audit Report

Yulon Nissan Motor Co., Ltd.
Supervisors Audit Written Report

The Board of Directors has prepared and submitted to us the Company's operations report, financial statements and earnings distribution proposal of fiscal year 2015 together with auditors' report prepared and certified by 2 authorized CPAs: Ms. Wan-Yi Liao and Mr. Chien-Hsin Hsieh from Deloitte Touche Tohmatsu. The documents mentioned above have been further audited as being correct and accurate by the undersigned, the supervisors of Yulon Nissan Motor Company Limited. According to Article 219 of Company Law, we hereby submit this report.

Yours truly

2016 Shareholders' Meeting

Supervisors:

Wei Wen Investment Co., Ltd.



Representative: Kwan-Tao Li



Representative: Tai-Ming Chen



Supervisors:

Toru Nakano



May 13, 2016

4. Recent Annual Financial Statements

Independent Auditors' Report

The Board of Directors and Stockholders
Yulon Nissan Motor Company, Ltd.

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



March 28, 2016

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

YULON NISSAN MOTOR COMPANY, LTD.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$8,363,612	27	\$ 9,493,958	26
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,491,543	5	331,032	1
Notes receivable (Notes 4 and 8)	-	-	2,000	-
Notes receivable - related parties (Notes 4 and 27)	6,139	-	905	-
Trade receivables (Notes 4 and 8)	70,932	-	70,137	-
Trade receivables - related parties (Notes 4 and 27)	483,892	2	224,495	1
Other receivables (Notes 4 and 8)	38,469	-	39,606	-
Inventories (Notes 4 and 9)	3,020	-	2,739	-
Prepayments (Note 27)	<u>15,906</u>	-	<u>9,893</u>	-
Total current assets	<u>10,473,513</u>	<u>34</u>	<u>10,174,765</u>	<u>28</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 10)	18,175,364	58	23,800,390	65
Property, plant and equipment (Notes 4, 11 and 27)	1,936,231	6	1,758,753	5
Computer software (Notes 4, 12 and 27)	14,330	-	12,346	-
Deferred tax assets (Notes 4 and 21)	152,728	1	164,709	-
Other non-current assets (Notes 13 and 27)	<u>408,397</u>	<u>1</u>	<u>573,443</u>	<u>2</u>
Total non-current assets	<u>20,687,050</u>	<u>66</u>	<u>26,309,641</u>	<u>72</u>
TOTAL	<u>\$31,160,563</u>	<u>100</u>	<u>\$36,484,406</u>	<u>100</u>

(In Thousands of New Taiwan Dollars, Except Par Value)

LIABILITIES AND EQUITY	2015		2014	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 3,630,000	12	\$3,630,000	10
Notes payable	243,000	1	-	-
Trade payables	53,973	-	122,244	-
Trade payables - related parties (Note 27)	1,178,190	4	565,471	2
Other payables (Note 15)	901,930	3	882,601	2
Current tax liabilities (Notes 4 and 21)	747,255	2	977,135	3
Provisions (Notes 4 and 16)	202,844	1	172,054	-
Other current liabilities (Note 17)	<u>31,432</u>	<u>-</u>	<u>19,698</u>	<u>-</u>
Total current liabilities	<u>6,988,624</u>	<u>23</u>	<u>6,369,203</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Provisions (Notes 4 and 16)	43,706	-	86,282	-
Net defined benefit liabilities (Notes 4 and 18)	573,363	2	546,327	2
Deferred tax liabilities (Notes 4 and 21)	<u>1,599,692</u>	<u>5</u>	<u>2,552,082</u>	<u>7</u>
Total non-current liabilities	<u>2,216,761</u>	<u>7</u>	<u>3,184,691</u>	<u>9</u>
Total liabilities	<u>9,205,385</u>	<u>30</u>	<u>9,553,894</u>	<u>26</u>
EQUITY				
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>9</u>	<u>3,000,000</u>	<u>8</u>
Capital surplus	<u>6,129,405</u>	<u>20</u>	<u>6,129,405</u>	<u>17</u>
Retained earnings				
Legal reserve	3,640,263	12	2,987,887	8
Special reserve	788,877	2	788,877	2
Unappropriated earnings	<u>7,094,172</u>	<u>23</u>	<u>12,607,444</u>	<u>35</u>
Total retained earnings	<u>11,523,312</u>	<u>37</u>	<u>16,384,208</u>	<u>45</u>
Other equity	<u>1,302,461</u>	<u>4</u>	<u>1,416,899</u>	<u>4</u>
Total equity	<u>21,955,178</u>	<u>70</u>	<u>26,930,512</u>	<u>74</u>
TOTAL	<u>\$31,160,563</u>	<u>100</u>	<u>\$ 36,484,406</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Sales (Note 4)	\$ 33,155,124	100	\$ 33,126,357	100
Service revenue (Note 4)	11,646	-	1,382	-
Other operating revenue	<u>51,624</u>	<u>-</u>	<u>42,402</u>	<u>-</u>
Total operating revenue	33,218,394	100	33,170,141	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 20 and 27)	<u>27,913,181</u>	<u>84</u>	<u>28,855,176</u>	<u>87</u>
GROSS PROFIT	<u>5,305,213</u>	<u>16</u>	<u>4,314,965</u>	<u>13</u>
OPERATING EXPENSES (Notes 18, 20 and 27)				
Selling and marketing expenses	3,130,745	9	2,564,472	8
General and administrative expenses	399,943	1	363,535	1
Research and development expenses	<u>516,723</u>	<u>2</u>	<u>586,905</u>	<u>2</u>
Total operating expenses	<u>4,047,411</u>	<u>12</u>	<u>3,514,912</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 20 and 27)	<u>(1,486)</u>	<u>-</u>	<u>1,131</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,256,316</u>	<u>4</u>	<u>801,184</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of profit of subsidiaries	3,866,456	11	6,677,910	20
Interest income (Note 4)	219,540	1	175,495	1
Gain from valuation of financial assets, net	11,333	-	14,032	-
Gain on disposal of investment, net (Note 20)	1,866	-	5,964	-
Other revenue (Note 27)	1,871	-	5,078	-
Foreign exchange (loss) gain, net (Note 20)	(301,141)	(1)	410,960	1
Interest expenses (Note 27)	(36,636)	-	(42,689)	-
Overseas business expenses (Note 27)	(14,710)	-	(18,712)	-
Other losses (Note 27)	<u>(5,208)</u>	<u>-</u>	<u>(2,545)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,743,371</u>	<u>11</u>	<u>7,225,493</u>	<u>22</u>
PROFIT BEFORE TAX	4,999,687	15	8,026,677	24
INCOME TAX EXPENSES (Notes 4 and 21)	<u>833,786</u>	<u>3</u>	<u>1,502,918</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,165,901</u>	<u>12</u>	<u>6,523,759</u>	<u>20</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (31,951)	-	\$ 982	-
Share of the other comprehensive income of subsidiaries accounted for using equity method	(334)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>5,488</u>	<u>-</u>	<u>(167)</u>	<u>-</u>
	<u>(26,797)</u>	<u>-</u>	<u>815</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(114,438)</u>	<u>-</u>	<u>1,206,461</u>	<u>3</u>
Other comprehensive income for the year, net of income tax	<u>(141,235)</u>	<u>-</u>	<u>1,207,276</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,024,666</u>	<u>12</u>	<u>\$ 7,731,035</u>	<u>23</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$13.89</u>		<u>\$21.75</u>	
Diluted	<u>\$13.88</u>		<u>\$21.74</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock	Capital Surplus (Note 19)
BALANCE, JANUARY 1, 2014	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>
Appropriation of 2013 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividend distributed by the Company - \$19.47 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2014	-	-
Other comprehensive income for the year ended December 31, 2014, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2014	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2014	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2014 earnings		
Legal reserve	-	-
Cash dividend distributed by the Company - \$30 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2015	-	-
Other comprehensive income for the year ended December 31, 2015, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2015	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2015	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

Retained Earnings (Notes 19 and 21)			Other Equity	
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
\$ 2,257,887	\$ 1,228,789	\$ 12,213,958	\$ 210,438	\$ 25,040,477
730,000	-	(730,000)	-	-
-	(439,912)	439,912	-	-
-	-	(5,841,000)	-	(5,841,000)
730,000	(439,912)	(6,131,088)	-	(5,841,000)
-	-	6,523,759	-	6,523,759
-	-	815	1,206,461	1,207,276
-	-	6,524,574	1,206,461	7,731,035
2,987,887	788,877	12,607,444	1,416,899	26,930,512
652,376	-	(652,376)	-	-
-	-	(9,000,000)	-	(9,000,000)
652,376	-	(9,652,376)	-	(9,000,000)
-	-	4,165,901	-	4,165,901
-	-	(26,797)	(114,438)	(141,235)
-	-	4,139,104	(114,438)	4,024,666
\$ 3,640,263	\$ 788,877	\$ 7,094,172	\$ 1,302,461	\$ 21,955,178

The accompanying notes are an integral part of the financial statements.

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,999,687	\$ 8,026,677
Adjustments for:		
Depreciation expenses	431,998	446,629
Amortization expenses	5,557	5,454
Gain on financial assets at fair value through profit or loss, net	(11,333)	(14,032)
Interest expense	36,636	42,689
Interest income	(219,540)	(175,495)
Shares of the profit of associates	(3,866,456)	(6,677,910)
Loss (gain) on disposal of property, plant and equipment, net	1,486	(1,131)
Gain on disposal of investment, net	(1,866)	(5,964)
Foreign exchange loss (gain), net	359,367	(350,658)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,147,312)	123,705
Notes receivable	2,000	(1,973)
Notes receivable - related parties	(5,234)	1,407
Trade receivables	(795)	(28,635)
Trade receivables - related parties	(259,397)	67,734
Other receivables	(22,265)	2,764
Inventories	(281)	(692)
Prepayments	(6,013)	1,164
Notes payable	243,000	-
Notes payable - related parties	-	(1,536)
Trade payables	(68,271)	(5,250)
Trade payables - related parties	469,293	(461,174)
Other payables	19,507	225,026
Other current liabilities	11,734	(1,374)
Deferred revenue	-	(1,643)
Provisions	(11,786)	14,399
Net defined benefit liabilities	(4,915)	(7,780)
Cash generated from operations	954,801	1,222,401
Interest paid	(36,814)	(42,794)
Income tax paid	(1,193,953)	(985,114)
Net cash generated from (used in) operating activities	<u>(275,966)</u>	<u>194,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	8,439,039	11,399,888
Interest received	242,942	155,783
Payment for property, plant and equipment (Note 23)	(441,433)	(486,380)
Proceeds from disposal of property, plant, and equipment	6,329	4,638
Payments for computer software	(7,541)	(9,913)
Decrease in other financial assets	-	991,154
Decrease (increase) in other non-current assets	132,614	(344,753)
Net cash generated from investing activities	<u>8,371,950</u>	<u>11,710,417</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ -	\$ 1,000,000
Repayment of long-term borrowings	-	(1,000,000)
Payments of dividends	<u>(9,000,000)</u>	<u>(5,841,000)</u>
Net cash used in financing activities	<u>(9,000,000)</u>	<u>(5,841,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(226,330)</u>	<u>288,144</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,130,346)	6,352,054
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,493,958</u>	<u>3,141,904</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,363,612</u>	<u>\$ 9,493,958</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October 2003 through a spin-off. The Company’s spin-off from Yulon intended to increase Yulon’s competitive advantage and participation in the global automobile network and to enhance its professional management. The spin-off date was October 1, 2003.

Yulon initially held 100% equity interest in the Company but then transferred its 40% equity to Nissan Motor Co., Ltd. (“Nissan”), a Japanese motor company, on October 30, 2003. The Company became listed on December 21, 2004 after the initial public offering application of the Company was accepted by the Taiwan Stock Exchange Corporation on October 6, 2004.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the board of directors on March 28, 2016.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

Initial Application of the Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 Version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) Endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulation Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Company’s accounting policies.

New IFRSs in Issue But Not Yet Endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB

before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective

immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its financial statements, the Company used equity method to account for its investment in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, share of other comprehensive income of subsidiaries, as appropriate, in the financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash, cash equivalents, assets held for trading purposes and assets that are expected to be converted into cash or consumed within one year from the balance sheet date; assets other than current assets are non-current assets. Current liabilities include liabilities due to be settled within one year from the balance sheet date; liabilities other than current liabilities are non-current liabilities.

Foreign Currencies

The functional currency of Company and presentation currency of the financial statements are both New Taiwan dollars (NT\$). Functional currency is the currency of the primary economic environment in which the Company operates.

In preparing the financial statements, transactions in currencies other than the New Taiwan dollars are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

The financial statements of foreign subsidiaries prepared in foreign currencies are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end rates; profit and loss - average rates during the year; stockholders' equity - historical rates. The resulting differences are recorded as other comprehensive income.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. Subsidiary is an entity that is controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiaries.

Investments accounted for using equity method are assessed for indicators of impairment at the end of each reporting period. When there is objective evidence that the investments accounted for using equity method have been impaired, the impairment losses are recognized in profit or loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

The Company depreciates molds and dies on the basis of estimated production volume. Other property, plant and equipment are depreciated by using straight-line method. The estimated production volume, useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Computer Software

Computer software is stated at cost, less subsequent accumulated amortization and subsequent accumulated impairment loss. The Company amortization is recognized on a straight-line basis over 3 years. Estimated useful lives, residual values and amortization method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of computer software shall be assumed to be zero unless the Company expects to dispose of the asset before the end of its economic life.

Impairment of Assets

When the carrying amount of property, plant and equipment and computer software exceeds its recoverable amount, the excess is recognized as an impairment loss. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest (included dividend or interest received in the investment year) earned on the financial asset. Method to determine the fair value please refer to Note 26.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

b. Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized costs using the effective interest method.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability only when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Provision

a. Inventory purchase commitment

Where the Company has a commitment under which the unavoidable costs of meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment, the present obligations arising under such commitment (e.g. inventory purchase commitment) are recognized and measured as provisions.

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation by the management of the Company.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

b. Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

c. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Employee Benefit

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan.

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Current tax payable depends on current taxable profit. Taxable profit is different from the net income before tax on the consolidated statement of comprehensive income for the reason that partial revenue and expenses are taxable or deductible items in other period, or not the taxable or deductible items according to related Income Tax Law. The Company's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings as the status of appropriations of earnings is uncertain.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the

computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions and other key sources of estimation uncertainty at the end of the reporting period.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2015 and 2014, the carrying amounts of trade receivables were \$599,432 thousand and \$337,143

thousand, respectively.

b. Property, plant and equipment - molds and dies

The Company depreciates molds and dies on the basis of estimated production volume. The Company examines the estimated production units of each model according to the market every 6 months and calculates the amount allocated for each mold and die, which is also the basis of depreciation of molds and dies.

c. Provisions for the expected cost of warranty

The Company calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of December 31, 2015 and 2014, the carrying amounts of provisions for warranty were \$123,055 thousand and \$146,358 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Company assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of December 31, 2015 and 2014, the carrying amounts of provisions for loss on inventory purchase commitment were \$123,495 thousand and \$111,978 thousand, respectively.

e. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2015	2014
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	1,324,429	1,184,495
Foreign currency demand deposits	5,083,795	310,534
Cash equivalents		
Foreign currency time deposits	1,556,736	7,992,009
Time deposits	6,900	6,900
Repurchase agreements collateralized by bonds	<u>391,732</u>	<u>-</u>
	<u>\$ 8,363,612</u>	<u>\$ 9,493,958</u>

Cash equivalent includes time deposits that have a maturity of three months or less from the date of acquisition and repurchase agreements collateralized by bonds, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value. These cash equivalents

are held for the purpose of meeting short-term cash commitments.

The market interest rates intervals of cash in bank, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2015	2014
Demand deposits and time deposits	0.01%-6.80%	0.01%-3.40%
Repurchase agreements collateralized by bonds	1.50%	-

7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
<u>Financial assets at FVTPL - current</u>		
Non-derivative financial assets		
Mutual funds	<u>\$ 1,491,543</u>	<u>\$ 331,032</u>

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	2014
Notes receivable	<u>\$ -</u>	<u>\$ 2,000</u>
Trade receivables	<u>\$ 70,932</u>	<u>\$ 70,137</u>
Other receivables		
Disposal of investment receivables	\$ 15,237	\$ -
Interest receivables	1,840	25,242
Others	<u>21,392</u>	<u>14,364</u>
	<u>\$ 38,469</u>	<u>\$ 39,606</u>

a. Notes receivable

There were no past due notes receivable balances at the end of the reporting period and the Company did not recognize an allowance for impairment loss.

The aging of notes receivable was as follows:

	December 31	
	2015	2014
Less than 60 days	<u>\$ -</u>	<u>\$ 2,000</u>

The above aging schedule was based on the invoice date.

b. Trade receivables

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2015	2014
0-60 days	\$ 49,966	\$ 36,794
61-90 days	15,573	10,771
91-120 days	5,393	15,844
121-180 days	<u>-</u>	<u>6,728</u>
	<u>\$ 70,932</u>	<u>\$ 70,137</u>

The above aging schedule was based on the invoice date.

The age of receivables that were past due but not impaired was as follow:

	December 31	
	2015	2014
1-60 days	<u>\$ 22,703</u>	<u>\$ 22,720</u>

The above aging schedule was based on the past due date.

c. Other receivables

The Company will assess other receivables for impairment when there is objective evidence of impairment; the assessment is done on every account individually.

There were no past due other receivables balances at the end of the reporting period and the Company did not recognize an allowance for impairment loss.

9. INVENTORIES

	December 31	
	2015	2014
Parts	\$ 3,020	\$ 1,664
Vehicles	<u>-</u>	<u>1,075</u>
	<u>\$ 3,020</u>	<u>\$ 2,739</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 was \$27,913,181 thousand, which included warranty cost of \$76,397 thousand and loss on inventory purchase commitment of \$11,517 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 was \$28,855,176 thousand, which included warranty

cost of \$70,933 thousand and loss on inventory purchase commitment of \$2,166 thousand.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Investment in subsidiary</u>		
Yi-Jan Overseas Investment Co., Ltd.	<u>\$ 18,175,364</u>	<u>\$ 23,800,390</u>

As the end of the reporting period, the proportion of ownership and voting rights in subsidiary was as follow:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Yi-Jan Overseas Investment Co., Ltd.	100%	100%

Refer to Note 5 for the details of the subsidiaries indirectly held by the Company.

The investments in subsidiaries accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 was based on the subsidiaries' financial statements audited by the auditors for the same years.

11. PROPERTY, PLANT, AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportati on Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
<u>Cost</u>									
Balance at January 1, 2014	\$ 3,618,909	\$ 723,152	\$ 81,893	\$ 75,533	\$ 8,595	\$ 18,529	\$ 6,265	\$ 5,694	\$ 4,538,570
Additions	334,961	104,972	2,231	10,002	8,119	-	-	-	460,285
Disposals	-	-	(8,450)	(238)	(5,852)	(145)	(1,755)	-	(16,440)
Balance at December 31, 2014	<u>\$ 3,953,870</u>	<u>\$ 828,124</u>	<u>\$ 75,674</u>	<u>\$ 85,297</u>	<u>\$ 10,862</u>	<u>\$ 18,384</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,982,415</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2014	\$ (2,283,974)	\$ (349,445)	\$ (66,883)	\$ (61,780)	\$ (4,780)	\$ (16,082)	\$ (1,739)	\$ (5,283)	\$ (2,789,966)
Depreciation expense	(338,562)	(93,647)	(6,243)	(5,433)	(1,031)	(432)	(1,151)	(130)	(446,629)
Disposals	-	-	8,414	235	2,384	145	1,755	-	12,933
Balance at December 31, 2014	<u>\$ (2,622,536)</u>	<u>\$ (443,092)</u>	<u>\$ (64,712)</u>	<u>\$ (66,978)</u>	<u>\$ (3,427)</u>	<u>\$ (16,369)</u>	<u>\$ (1,135)</u>	<u>\$ (5,413)</u>	<u>\$ (3,223,662)</u>
Carrying value, net, December 31, 2014	<u>\$ 1,331,334</u>	<u>\$ 385,032</u>	<u>\$ 10,962</u>	<u>\$ 18,319</u>	<u>\$ 7,435</u>	<u>\$ 2,015</u>	<u>\$ 3,375</u>	<u>\$ 281</u>	<u>\$ 1,758,753</u>
<u>Cost</u>									
Balance at January 1, 2015	\$ 3,953,870	\$ 828,124	\$ 75,674	\$ 85,297	\$ 10,862	\$ 18,384	\$ 4,510	\$ 5,694	\$ 4,982,415
Additions	510,105	26,190	3,880	67,058	5,665	-	4,393	-	617,291
Disposals	-	-	(1,201)	(773)	(8,119)	(2,600)	-	-	(12,693)

Balance at December 31, 2015	\$ 4,463,975	\$ 854,314	\$ 78,353	\$ 151,582	\$ 8,408	\$ 15,784	\$ 8,903	\$ 5,694	\$ 5,587,013
Accumulated depreciation and impairment									
Balance at January 1, 2015	\$ (2,622,536)	\$ (443,092)	\$ (64,712)	\$ (66,978)	\$ (3,427)	\$ (16,369)	\$ (1,135)	\$ (5,413)	\$ (3,223,662)
Depreciation expense	(327,608)	(84,110)	(4,528)	(13,093)	(959)	(349)	(1,259)	(92)	(431,998)
Disposals	-	-	1,145	732	1,268	1,733	-	-	4,878
Balance at December 31, 2015	\$ (2,950,144)	\$ (527,202)	\$ (68,095)	\$ (79,339)	\$ (3,118)	\$ (14,985)	\$ (2,394)	\$ (5,505)	\$ (3,650,782)
Carrying value, net, December 31, 2015	\$ 1,513,831	\$ 327,112	\$ 10,258	\$ 72,243	\$ 5,290	\$ 799	\$ 6,509	\$ 189	\$ 1,936,231

There were no signs of impairment losses of assets for the years ended December 31, 2015 and 2014; therefore, the Company did not assess for impairment.

Except molds and dies are depreciated on an estimated production volume basis, other property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful life. The estimated useful lives are as follows:

Computer equipment	2 to 5 years
Other equipment	
Powered equipment	15 years
Experimental equipment	3 to 8 years
Office and communication equipment	3 years
Other equipment	1 to 10 years
Transportation equipment	4 to 5 years
Machinery and equipment	3 to 10 years
Leasehold improvement	3 to 5 years
Tools	2 to 5 years

12. COMPUTER SOFTWARE

	Computer Software
<u>Cost</u>	
Balance, January 1, 2014	\$ 22,451
Additions	9,913
Disposals	<u>(13,640)</u>
Balance, December 31, 2014	<u>\$ 18,724</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(5,454)
Disposals	<u>13,640</u>
	(Continued)

	Computer Software
Balance, December 31, 2014	\$ <u>(6,378)</u>
Carrying amounts at December 31, 2014	\$ <u>12,346</u>
<u>Cost</u>	
Balance, January 1, 2015	\$ 18,724
Additions	7,541
Disposals	<u>(5,580)</u>
Balance, December 31, 2015	\$ <u>20,685</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2015	\$ (6,378)
Amortization expense	(5,557)
Disposals	<u>5,580</u>
Balance, December 31, 2015	\$ <u>(6,355)</u>
Carrying amounts at December 31, 2015	\$ <u>14,330</u> (Concluded)

13. OTHER NON-CURRENT ASSETS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Refundable deposits	\$ 405,517	\$ 538,131
Prepayment for equipment	<u>2,880</u>	<u>35,312</u>
	<u>\$ 408,397</u>	<u>\$ 573,443</u>

Refundable deposits are mainly for materials to Yulon.

14. BORROWINGS**Short-term Borrowings**

	December 31	
	2015	2014
Unsecured bank loans	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>
Ranges of weighted average effective interest rate	0.96%-1.09%	0.96%-1.10%

15. OTHER PAYABLES

	December 31	
	2015	2014
Advertising and promotion fees	\$ 425,110	\$ 156,097
Salaries and bonus	263,668	296,081
Taxes	20,840	230,936
Others	<u>192,312</u>	<u>199,487</u>
	<u>\$ 901,930</u>	<u>\$ 882,601</u>

16. PROVISIONS

	December 31		
	2015	2014	
Current			
Inventory purchase commitment	\$ 123,495	\$ 111,978	
Warranties	<u>79,349</u>	<u>60,076</u>	
	<u>\$ 202,844</u>	<u>\$ 172,054</u>	
Non-current			
Warranties	<u>\$ 43,706</u>	<u>\$ 86,282</u>	
		Inventory Purchase Commitment	Warranties
			Total
Balance at January 1, 2014	\$ 109,812	\$ 134,125	\$ 243,937
Additional provisions recognized	2,166	70,933	73,099
Paid	<u>-</u>	<u>(58,700)</u>	<u>(58,700)</u>
Balance at December 31, 2014	<u>\$ 111,978</u>	<u>\$ 146,358</u>	<u>\$ 258,336</u>
Balance at January 1, 2015	\$ 111,978	\$ 146,358	\$ 258,336

	Inventory Purchase Commitment	Warranties	Total
Additional provisions recognized	11,517	76,397	87,914
Paid	<u>-</u>	<u>(99,700)</u>	<u>(99,700)</u>
Balance at December 31, 2015	<u>\$ 123,495</u>	<u>\$ 123,055</u>	<u>\$ 246,550</u>

The provision for loss on inventory purchase commitment represents the present obligations of which the unavoidable costs meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment.

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranty under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends.

17. OTHER CURRENT LIABILITIES

	December 31	
	2015	2014
Withholding	\$ 15,617	\$ 1,716
Receipts in advance	9,149	15,156
Others	<u>6,666</u>	<u>2,826</u>
	<u>\$ 31,432</u>	<u>\$ 19,698</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2015 and 2014 was \$13,390 thousand and \$12,935 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

An analysis by function of the amounts recognized in profit or loss in respect of the defined contribution plan is as follows:

**For the Year Ended December
31**

	2015	2014
Selling and marketing expenses	\$ 4,423	\$ 4,136
General and administrative expenses	4,016	3,864
Research and development expenses	4,620	4,624
Non-operating expenses	<u>331</u>	<u>311</u>
	<u>\$ 13,390</u>	<u>\$ 12,935</u>

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of funded defined benefit obligation	\$ 583,971	\$ 568,683
Fair value of plan asset	<u>(10,608)</u>	<u>(9,957)</u>
Deficit	573,363	558,726
Unrecognized past service cost	<u>-</u>	<u>(12,399)</u>
Net defined benefit liability	<u>\$ 573,363</u>	<u>\$ 546,327</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Unrecognize d Past Service Cost	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	<u>\$ 573,593</u>	<u>\$ (3,601)</u>	<u>\$ (14,903)</u>	<u>\$ 555,089</u>
Service cost				
Current service cost	5,641	-	-	5,641
Past service cost	-	-	2,504	2,504

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Unrecognize d Past Service Cost	Net Defined Benefit Liability (Asset)
Net interest expense (income)	<u>10,038</u>	<u>(138)</u>	<u>-</u>	<u>9,900</u>
Recognized in profit or loss	<u>15,679</u>	<u>(138)</u>	<u>2,504</u>	<u>18,045</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(9)	-	(9)
Actuarial loss - changes in demographic assumptions	10,642	-	-	10,642
Actuarial gain - experience adjustments	<u>(11,615)</u>	<u>-</u>	<u>-</u>	<u>(11,615)</u>
Recognized in other comprehensive income	<u>(973)</u>	<u>(9)</u>	<u>-</u>	<u>982</u>
Contributions from the employer	<u>-</u>	<u>(6,209)</u>	<u>-</u>	<u>(6,209)</u>
Benefits paid	<u>(19,616)</u>	<u>-</u>	<u>-</u>	<u>(19,616)</u>
Balance at December 31, 2014	<u>\$ 568,683</u>	<u>\$ (9,957)</u>	<u>\$ (12,399)</u>	<u>\$ 546,327</u>
Balance at January 1, 2015	<u>\$ 568,683</u>	<u>\$ (9,957)</u>	<u>\$ (12,399)</u>	<u>\$ 546,327</u>
Service cost				
Current service cost	5,186	-	-	5,186
Past service cost	7,788	-	12,399	20,187
Net interest expense (income)	<u>9,764</u>	<u>(151)</u>	<u>-</u>	<u>9,613</u>
Recognized in profit or loss	<u>22,738</u>	<u>(151)</u>	<u>12,399</u>	<u>34,986</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(44)	-	(44)
Actuarial loss - changes in demographic assumptions	9,419	-	-	9,419
Actuarial loss - changes in financial assumptions	14,758	-	-	14,758
Actuarial loss - experience adjustments	<u>7,818</u>	<u>-</u>	<u>-</u>	<u>7,818</u>
Recognized in other comprehensive income	<u>31,995</u>	<u>(44)</u>	<u>-</u>	<u>31,951</u>
Contributions from the employer	<u>-</u>	<u>(6,325)</u>	<u>-</u>	<u>(6,325)</u>
Benefits paid	<u>(5,869)</u>	<u>5,869</u>	<u>-</u>	<u>-</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Unrecognize d Past Service Cost	Net Defined Benefit Liability (Asset)
Liabilities extinguished on settlement	<u>(33,576)</u>	<u>-</u>	<u>-</u>	<u>(33,576)</u>
Balance at December 31, 2015	<u>\$ 583,971</u>	<u>\$ (10,608)</u>	<u>\$ -</u>	<u>\$ 573,363</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2015	2014
Selling and marketing expenses	12,793	4,312
General and administrative expenses	11,885	7,680
Research and development expenses	9,075	5,240
Non-operating expenses	<u>1,233</u>	<u>813</u>
	<u>\$ 34,986</u>	<u>\$ 18,045</u>

The defined benefit cost for 2015 included the adjustments of the Company's initial application of 2013 version of IAS 19. The adjustments to past service cost, which amounted to \$12,399 thousand, did not have material impact; thus the financial statements were not restated.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2015	December 31, 2014
Discount rate(s)	1.50%	1.75%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	<u>\$ (14,945)</u>
0.25% decrease	<u>\$ 15,522</u>
Expected rate(s) of salary increase	
0.25% increase	<u>\$ 15,104</u>
0.25% decrease	<u>\$ (14,619)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 3,387</u>	<u>\$ 6,674</u>
The average duration of the defined benefit obligation	10.6 years	10.7 years

19. EQUITY

a. Capital surplus

	December 31	
	2015	2014
Excess from spin-off	\$ 5,986,507	\$ 5,986,507
Generated from long-term investment	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

The capital surplus arising from shares issued in excess of par (including excess from spin-off) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from long-term investment may not be used for any purpose.

b. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the legal reserve should be set aside at 10% of annual net income, less any accumulated deficit, and appropriate special reserve. The remainder of the income should be appropriated as follows:

- 1) 0.1% to 5% as bonus to employees.
- 2) The remainder and the undistributed retained earnings as dividends. The distribution is proposed by the board of directors and approved by the stockholders.

The Company operates in a mature and stable industry. In determining the ratio of cash dividends to stock dividends, the Company considers factors such as the impact of dividends on reported profitability, cash required for future operations, any potential changes in the industry, interest of the stockholders and the effect on the of Company's financial ratios. Thus, cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 6, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 30, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to 20.d Employee benefits expense.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2014 and 2013 approved in the shareholders' meetings on June 30, 2015 and June 23, 2014, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Legal reserve	\$ 652,376	\$ 730,000		
Special reserve	-	(439,912)		
Cash dividend	9,000,000	5,841,000	\$ 30.00	\$ 19.47

As of March 28, 2016, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2015 earnings of the Company had not been approved by

the board of directors and stockholders.

20. NET PROFIT

- a. Other operating income and expenses

	For the Year Ended December 31	
	2015	2014
Gain (loss) on disposal of property, plant and equipment, net	<u>\$ (1,486)</u>	<u>\$ 1,131</u>

- b. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	\$ 431,998	\$ 446,629
Computer software	<u>5,557</u>	<u>5,454</u>
	<u>\$ 437,555</u>	<u>\$ 452,083</u>
Depreciation		
Operating cost	\$ 411,718	\$ 432,209
Operating expenses	<u>20,280</u>	<u>14,420</u>
	<u>\$ 431,998</u>	<u>\$ 446,629</u>
Amortization		
Operating expenses	<u>\$ 5,557</u>	<u>\$ 5,454</u>

- c. Technical cooperation agreement

	For the Year Ended December 31	
	2015	2014
Operating cost	<u>\$ 519,874</u>	<u>\$ 507,681</u>

The Company has a technical cooperation agreement (the "TCA") with Nissan and Autech Japan, Inc.

The TCA with Nissan is based on purchase costs less commodity tax. The TCA with Autech Japan, Inc. is based on development expenses together with royalty expenses.

d. Employee benefit expenses

	For the Year Ended December 31	
	2015	2014
Post-employment benefit (Note 18)		
Defined contribution plans	\$ 13,390	\$ 12,935
Defined benefit plans	<u>34,986</u>	<u>18,045</u>
	<u>48,376</u>	<u>30,980</u>
Termination benefit	3,900	3,900
Labor and health insurance	37,114	36,868
Salary	529,180	525,329
Other employee benefit	<u>23,814</u>	<u>22,521</u>
	<u>594,008</u>	<u>588,618</u>
 Total employee benefit expenses	 <u>\$ 642,384</u>	 <u>\$ 619,598</u>
 An analysis of employee benefits expense		
Operating cost	\$ <u>625</u>	\$ <u>645</u>
Operating expenses	\$ <u>640,195</u>	\$ <u>617,829</u>
Non-operating expenses	\$ <u>1,564</u>	\$ <u>1,124</u>

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees at the rates no less than 0.1% and no higher than 5%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees was \$32,723 thousand representing 0.56% of the base net income. To be in compliance with the Company Act as amended in May 2015, in November 2015, the board of directors proposed amendments to the Company's Articles of Incorporation which stipulate to distribute employees' compensation at the rates no less than 0.1% of net profit before income tax. For the year ended December 31, 2015, the employees' compensation was \$11,500 thousand representing 0.23% of the base net profit. The employees' compensation in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on March 28, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on June 30, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 30, 2015 and June 23, 2014, respectively, were as follows:

**For the Year Ended December
31**

	<u>2014</u>	<u>2013</u>
	Cash	Cash
	Dividends	Dividends
Bonus to employees	\$ 32,723	\$ 31,500

There was no difference between the amounts of the bonus to employees approved in the shareholders' meetings on June 30, 2015 and June 23, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees, directors and supervisors resolved by the shareholder meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

- e. Gain or loss on foreign currency exchange

**For the Year Ended December
31**

	<u>2015</u>	<u>2014</u>
Foreign exchange gain	\$ 247,283	\$ 495,700
Foreign exchange loss	<u>(548,424)</u>	<u>(84,740)</u>
Net (loss) profit	<u>\$ (301,141)</u>	<u>\$ 410,960</u>

- f. Gain or loss on sale of investment

**For the Year Ended December
31**

	<u>2015</u>	<u>2014</u>
Total gain on sale of investment	\$ 19,324	\$ 9,705
Total loss on sale of investment	<u>(17,458)</u>	<u>(3,741)</u>
Net profit	<u>\$ 1,866</u>	<u>\$ 5,964</u>

21. INCOME TAX

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	\$ 1,766,822	\$ 2,285,193
Income tax on unappropriated earnings	-	116,959
In respect of prior years	1,885	1,265
Deferred tax		
In respect of the current year	<u>(934,921)</u>	<u>(900,499)</u>
Income tax expense recognized in profit or loss	<u>\$ 833,786</u>	<u>\$ 1,502,918</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2015	2014
Profit before tax	<u>\$ 4,999,687</u>	<u>\$ 8,026,677</u>
Income tax expense calculated at the statutory rate (17%)	\$ 849,947	\$ 1,364,535
Nondeductible expenses in determining taxable income	(15,780)	23,854
Tax-exempt income	(2,266)	(3,695)
Additional income tax on unappropriated earnings	-	116,959
Adjustments for prior years' tax	<u>1,885</u>	<u>1,265</u>
Income tax expense recognized in profit or loss	<u>\$ 833,786</u>	<u>\$ 1,502,918</u>

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
<u>Deferred tax</u>		
Current		
Share of the other comprehensive income of associates accounted for using equity method	\$ 56	\$ -
Actuarial gains and losses on defined benefit plan	<u>5,432</u>	<u>(167)</u>
Recognized in other comprehensive income	<u>\$ 5,488</u>	<u>\$ (167)</u>

c. Current tax liabilities

	December 31	
	2015	2014
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 747,255</u>	<u>\$ 977,135</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follow:

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,647	\$ (1,323)	\$ (167)	\$ 93,157
Impairment losses	52,247	(24,612)	-	27,635
Provisions for warranty	22,801	2,080	-	24,881
Provisions for loss on inventory purchase commitment	<u>18,668</u>	<u>368</u>	<u>-</u>	<u>19,036</u>
	<u>\$ 188,363</u>	<u>\$ (23,487)</u>	<u>\$ (167)</u>	<u>\$ 164,709</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 3,470,618	\$ (964,024)	\$ -	\$ 2,506,594
Unrealized exchange gain, net	<u>5,450</u>	<u>40,038</u>	<u>-</u>	<u>45,488</u>
	<u>\$ 3,476,068</u>	<u>\$ (923,986)</u>	<u>\$ -</u>	<u>\$ 2,552,082</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 93,157	\$ (836)	\$ 5,432	\$ 97,753
Impairment losses	27,635	(14,630)	-	13,005
Provisions for warranty	24,881	(3,962)	-	20,919
Provisions for loss on inventory purchase commitment	19,036	1,959	-	20,995
Share of the other comprehensive loss of associates accounted for using equity method	-	-	56	56
	<u>\$ 164,709</u>	<u>\$ (17,469)</u>	<u>\$ 5,488</u>	<u>\$ 152,728</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 2,506,594	\$ (914,127)	\$ -	\$ 1,592,467
Unrealized exchange gain, net	45,488	(38,263)	-	7,225
	<u>\$ 2,552,082</u>	<u>\$ (952,390)</u>	<u>\$ -</u>	<u>\$ 1,599,692</u>
				(Concluded)
e. Integrated income tax				

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 7,094,172</u>	<u>\$ 12,607,444</u>
Imputation credit account ("ICA")	<u>\$ 594,566</u>	<u>\$ 881,287</u>
	For the Year Ended December 31	
	2015	2014
	(Expected)	(Actual)
Creditable ratio for distribution	18.91%	15.34%

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. Income tax assessment

The tax returns through 2013 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2015	2014
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 4,165,901</u>	<u>\$ 6,523,759</u>

Weighted-average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive ordinary shares:		
Employees' compensation or bonus issue to employee	<u>154</u>	<u>141</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,154</u>	<u>300,141</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Company entered into the following non-cash investing activities:

	For the Year Ended December	
	2015	2014
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 617,291	\$ 460,285
Transfer prepayment for equipment to property, plant and equipment	(80,996)	(20,352)
Decrease (increase) in trade payables	<u>(94,862)</u>	<u>87,722</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 441,433</u>	<u>\$ 527,655</u>

24. OPERATING LEASE AGREEMENTS

The Company as Lessee

Operating leases relate to leases of offices with lease terms between 6 and 20 years.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2015	2014
No later than 1 year	\$ 10,474	\$ 2,508
Later than 1 year and not later than 5 years	<u>4,067</u>	<u>3,971</u>
	<u>\$ 14,541</u>	<u>\$ 6,479</u>

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stockholders through optimization of the debt and equity balance.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

- 1) Fair value of financial instruments that are not measured at fair value

The carrying amounts of the financial assets and financial liabilities that are not measured at fair value are approximately equal to their fair values.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

a) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 1,491,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,491,543</u>

December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 331,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,032</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair value of fund beneficiary certificate traded on active market is the net asset value on balance sheet date. If there is no market price, the fair value is determined by the redemption value. The estimates and assumptions used by the Company were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31	
	2015	2014
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Held for trading	\$ 1,491,543	\$ 331,032
Loans and receivables (Note 1)	8,963,044	9,831,101
<u>Financial liabilities</u>		
Amortized cost (Note 2)	5,699,943	4,876,724

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables and part of other payables.

c. Financial risk management objectives and policies

The Company's major financial instruments include trade receivable, trade payables, and borrowings. The Company's Corporate Treasury function coordinates access to domestic and international financial markets, manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured. Sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. Details of sensitivity analysis for foreign currency risk and for interest rate risk are set out in (a) and (b) below.

a) Foreign currency risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company is mainly exposed to the RMB, U.S. dollars and Japanese yen.

The following table details the Company's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency strengthen 5% against the relevant currency. For a 5% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	RMB		U.S. Dollar		Japan Yen	
	For the Year Ended		For the Year Ended		For the Year Ended	
	December 31		December 31		December 31	
	2015	2014	2015	2014	2015	2014
Gain (loss)	\$(80,879)	\$(409,199)	\$(271,558)	\$(5,979)	\$(383)	\$(1,434)

This was mainly attributable to the exposure outstanding on RMB, U.S. dollars, and Japanese Yen cash in bank, repurchase agreement collateralized by bonds, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rate at the end of the reporting period were as follows:

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 1,954,022	\$ 8,030,577
Financial liabilities	500,000	500,000
Cash flows interest rate risk		
Financial assets	6,409,570	1,463,381
Financial liabilities	3,130,000	3,130,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2015 and 2014 would decrease/increase by \$8,199 thousand and \$4,167 thousand, which were mainly attributable to the Company's exposure to interest rates on its demand deposits, variable-rate bank time deposits and borrowings.

2) Credit risk

The Company's concentration of credit risk of 67% and 46% in total trade receivables as of December 31, 2015 and 2014, respectively, was related to the Company's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of

bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the available unutilized borrowings facilities were both \$2,070,000 thousand.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

December 31, 2015

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,664,346	\$ 223,486	\$ 180,929
Floating interest rate instrument	0.96	3,132,829	-	-
Fixed interest rate instrument	1.09	<u>500,269</u>	<u>-</u>	<u>-</u>
		<u>\$ 5,297,444</u>	<u>\$ 223,486</u>	<u>\$ 180,929</u>

December 31, 2014

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,018,924	\$ 67,421	\$ 150,019
Floating interest rate instrument	0.96	1,133,555	2,000,925	-
Fixed interest rate instrument	1.10	<u>500,135</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,652,614</u>	<u>\$ 2,068,346</u>	<u>\$ 159,019</u>

27. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, the Company had business transactions with the following related parties:

a. Related parties

Related Party	Relationship with the Company
Investors that have significant influence over the Company	
Nissan Motor Corporation (“Nissan”)	Equity-method investor of the Company
Yulon Motor Co., Ltd. (“Yulon”)	Same as above
Subsidiaries	
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jetford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Motor India Private Limited	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distributor Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Philippines Inc.	Same as above
Autech Japan, Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Zhenzhou Nissan Automobile Co., Ltd.	Same as above
Allied Engineering Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above

(Continued)

Related Party	Relationship with the Company
Yulon Energy Service Co., Ltd.	Same as above
Yulon China Investment Limited	Same as above
Univatin Motor Philippines, Inc.	Substantial related party of Yulon
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Le-Wen Co., Ltd	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Same as above
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Y.M. Hi-Tech Industry Ltd.	Subsidiary of China Ogihara Corporation
DFS Industrial Group Co., Ltd.	Substantial related party of Dongfeng Nissan Passenger Vehicle Co.
LUXGEN Motor Co., Ltd (Taoyuan)	Subsidiary of LUXGEN Motor Co., Ltd
LUXGEN Motor Co., Ltd (Taichung)	Same as above
LUXGEN Motor Co., Ltd (Kaohsiung)	Same as above

(Concluded)

- b. Balances and transactions between the Company and related parties are based on agreements. Details of transactions between the Company and related parties were disclosed below:

1) Trading transactions

	For the Year Ended December 31	
	2015	2014
<u>Sales</u>		
Investors that have significant influence	\$ 20,807	\$ 11,212
Others	<u>32,622,352</u>	<u>32,546,046</u>
	<u>\$ 32,643,159</u>	<u>\$ 32,557,258</u>
<u>Service revenue</u>		
Investors that have significant influence	\$ 11,646	\$ 1,382
<u>Other operating revenue</u>		
Investors that have significant influence	\$ 12,093	\$ 16,547
Others	<u>32,668</u>	<u>21,209</u>
	<u>\$ 44,761</u>	<u>\$ 37,756</u>

The Company designs and performs R&D of cars for investors with significant influence. Service revenue is recognized according to the related contracts.

Other operating revenue of the Company arose from selling steel plates, steel and aluminum parts, and engaging in vehicles identification and testing.

	For the Year Ended December 31	
	2015	2014
<u>Operating cost - purchase</u>		
Investors that have significant influence	\$ 26,527,529	\$ 27,463,115
Others	<u>35,940</u>	<u>108,182</u>
	<u>\$ 26,563,469</u>	<u>\$ 27,571,297</u>
<u>Operating cost - TCA</u>		
Investors that have significant influence	\$ 500,100	\$ 507,681
Others	<u>19,774</u>	<u>-</u>
	<u>\$ 519,874</u>	<u>\$ 507,681</u>

**For the Year Ended December
31**

	2015	2014
<u>Operating expense - rental</u>		
Investors that have significant influence	\$ 16,495	\$ 13,626
Others	12,683	13,296
	\$ 29,178	\$ 26,922

The Company's cost of TCA is mainly for the payment to investors with significant influence, with whom the Company has technical cooperation agreements.

The Company's rental expenses paid monthly are primarily comprised of customer service system, building property, car testing expenses, cars and driving service for its executives.

**For the Year Ended December
31**

	2015	2014
<u>Selling and marketing expenses</u>		
Investors that have significant influence	\$ 22,243	\$ 32,908
Others	1,538,344	1,468,999
	\$ 1,560,587	\$ 1,501,907

General and administrative expenses

Investors that have significant influence	\$ 12,050	\$ 12,211
Others	184,265	183,379
	\$ 196,315	\$ 195,590

Research and development expenses

Investors that have significant influence	\$ 50,131	\$ 100,291
Others	25,275	27,922
	\$ 75,406	\$ 128,213

Selling and marketing expenses are payment to other parties for advertisement and promotion.

General and administrative expenses are payment to other parties for consulting, labor dispatch and IT services. The Company provided administrative support to its subsidiaries with respect to investments in mainland China. The amounts charged for the administration were \$21,228 thousand and \$21,427 thousand for the years ended December 31, 2015 and 2014, respectively; the amounts were deducted from the Company's general and administrative expenses.

Research and development expenses are payment to investors with significant influence for

sample products, trial fee, and system.

The Company bought molds from related parties (molds purchased were recorded under property, plant and equipment) as follows:

	For the Year Ended December 31	
	2015	2014
Investors that have significant influence	\$ -	\$ 16,624
Others	<u>124,019</u>	<u>130,942</u>
	<u>\$ 124,019</u>	<u>\$ 147,566</u>

2) Non-operating transactions

	For the Year Ended December 31	
	2015	2014
<u>Other revenue</u>		
Investors that have significant influence	\$ -	\$ 168
Others	<u>33</u>	<u>-</u>
	<u>\$ 33</u>	<u>\$ 168</u>
<u>Overseas business expenses</u>		
Others	<u>\$ 4,970</u>	<u>\$ 13,344</u>
<u>Other losses</u>		
Investors that have significant influence	<u>\$ 4,357</u>	<u>\$ 31</u>

3) Receivables from related parties

	December 31	
	2015	2014
<u>Notes receivable</u>		
Others	<u>\$ 6,139</u>	<u>\$ 905</u>
<u>Trade receivables</u>		
Subsidiary	\$ 5,360	\$ 6,329
Investors that have significant influence	22,636	14,890
Others	<u>455,896</u>	<u>203,276</u>
	<u>\$ 483,892</u>	<u>\$ 224,495</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

	December 31	
	2015	2014
<u>Trade payables</u>		
Investors that have significant influence	\$ 669,569	\$ 253,986
Others	<u>508,621</u>	<u>311,485</u>
	<u>\$ 1,178,190</u>	<u>\$ 565,471</u>

The outstanding trade payables from related parties are unsecured.

5) Refundable deposits

	December 31	
	2015	2014
Investors that have significant influence	\$ 373,496	\$ 488,561
Others	<u>7,601</u>	<u>47,977</u>
	<u>\$ 381,097</u>	<u>\$ 536,538</u>

6) Prepayments

	December 31	
	2015	2014
Investors that have significant influence	<u>\$ 9,089</u>	<u>\$ 7,715</u>

Prepayments are for office rent.

c. Compensation of key management personnel:

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2015	2014
Short-term employee benefit	\$ 46,015	\$ 44,464
Post-employment benefit	<u>2,342</u>	<u>1,986</u>
	<u>\$ 48,357</u>	<u>\$ 46,450</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to \$2,055,877 thousand and \$2,061,218 thousand for the years ended December 31, 2015 and 2014, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the trade receivable sold to Taiwan Acceptance Corporation were \$1,127 thousand and \$1,149 thousand for the years ended December 31, 2015 and 2014, respectively.
- 2) The Company bought other equipment for \$238 thousand and \$247 thousand from Singgual Technology Co., Ltd. for the years ended December 31, 2015 and 2014. All of them were recorded under property, plant and equipment.
- 3) The Company sold property, plant and equipment to related-party during the year ended December 31, 2014. Details are summarized as follows:

	Amount	Carrying Value	Gain on Disposal
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 4,629	\$ 3,468	\$ 1,161

- 4) The Company bought computer software for \$148 thousand from Singgual Technology Co., Ltd. for the year ended December 31, 2014. All of them were recorded under computer software.
- 5) The Company signed molds contracts with Diamond Leasing Service Co., Ltd.

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is \$1,080,206 thousand (excluding of tax) and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2015, the Company had already paid \$894,332 thousand (recognized as property, plant, and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

28. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2015 were as follows:

- a. The Company re-signed a manufacturing contract with Yulon, effective on or after May 1, 2015, for 5 years. This contract, for which the first expiry date was on April 30, 2020, is automatically extended annually unless either party issues a termination notice at least three months before expiry. The contract states that the Company authorizes Yulon to manufacture

Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

The Company is responsible for developing new car models, refining designs, and providing the sales projection to Yulon. Yulon is responsible for transforming the sales projections into manufacturing plans, making the related materials orders and purchases, providing product quality assurance, delivering cars, and shouldering warranty expenses due to any defects in products made by Yulon.

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2015, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	December 31	
	2015	2014
Acquisition of property, plant, and equipment	\$ 2,051	\$ 234,249
Acquisition of computer software	<u>3,923</u>	<u>296</u>
	<u>\$ 5,974</u>	<u>\$ 234,545</u>

29. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2015

<u>Financial assets</u>	Foreign Currencies	Exchange Rate	Carrying Amount
Monetary items			
USD	\$ 165,459	32.825 (USD:NTD)	\$ 5,431,168
RMB	323,840	4.995 (RMB:NTD)	1,617,582
JPY	28,382	0.2727 (JPY:NTD)	<u>7,740</u>
			<u>\$ 7,056,490</u>

(Concluded)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
USD	553,705	32.825 (USD:NTD)	<u>\$ 18,175,364</u>

Financial liabilities

Monetary items			
JPY	300	0.2727 (JPY:NTD)	<u>\$ 82</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,607,224	5.0920 (RMB:NTD)	\$ 8,183,984
USD	3,778	31.65 (USD:NTD)	119,586
JPY	108,653	0.2646 (JPY:NTD)	<u>28,749</u>
			<u>\$ 8,332,319</u>

Non-monetary items			
USD	751,987	31.65 (USD:NTD)	<u>\$ 23,800,390</u>

Financial liabilities

Monetary item			
JPY	278	0.2646 (JPY:NTD)	<u>\$ 74</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2015		2014	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
Foreign Currencies				
RMB	5.0330 (RMB:NTD)	\$ (271,144)	4.9202 (RMB:NTD)	\$ 327,859
USD	31.739 (USD:NTD)	(40,641)	30.306 (USD:NTD)	85,485
JPY	0.2624 (JPY:NTD)	<u>11,644</u>	0.2870 (JPY:NTD)	<u>(2,384)</u>
		<u>\$ (301,141)</u>		<u>\$ 410,960</u>

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
 - 2) Endorsements guarantees provided: None
 - 3) Market securities held (excluding investment in subsidiaries and associates): Table 1 (attached)
 - 4) Marketable securities acquired and disposed at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposal of real individual estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 9) Trading in derivative instruments: None
 - 10) Information on investees: Table 5 (attached)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 6 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) 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.

YULON NISSAN MOTOR COMPANY, LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 1

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2015			Market Value or Net Asset Value (Note)	Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership		
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>							
	Yuanta RMB Money Market TWD	-	Financial assets at fair value through profit or loss	27,794	\$ 302,328	-	\$ 302,328	
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	13,274	200,398	-	200,398	
	Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss	12,412	200,000	-	200,000	
	Prudential Financial Money Market	-	Financial assets at fair value through profit or loss	9,654	150,689	-	150,689	
	Allianz Gbl Investors Taiwan Money Mkt	-	Financial assets at fair value through profit or loss	8,102	100,215	-	100,215	
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss	8,096	100,203	-	100,203	
	FSITC Money Market	-	Financial assets at fair value through profit or loss	568	100,053	-	100,053	
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	8,461	100,052	-	100,052	
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss	8,026	100,000	-	100,000	
	Franklin Templeton Sinonam Money Market	-	Financial assets at fair value through profit or loss	7,964	81,212	-	81,212	
	Allianz Global Investors Gbl Biotech	-	Financial assets at fair value through profit or loss	1,071	43,846	-	43,846	
	Nomura Global Biotech & Health Care	-	Financial assets at fair value through profit or loss	667	12,547	-	12,547	

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value and the redemption price as of December 31, 2015.

YULON NISSAN MOTOR COMPANY, LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

TABLE 2

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition			Disposal			Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates													
	Yuanta RMB Money Market TWD	Financial assets at fair value through profit or loss	-	-	9,821	\$ 100,000	27,794	\$ 300,000	9,821	\$ 103,844	\$ 100,000	\$ 3,844	27,794	\$ 300,000
	Nomura Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	49,764	800,000	37,352	601,191	600,000	1,191	12,412	200,000
	Paradigm Pion Money Market	Financial assets at fair value through profit or loss	-	-	-	-	43,936	500,000	43,936	500,777	500,000	777	-	-
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	30,045	400,000	30,045	400,304	400,000	304	-	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	32,137	400,000	24,111	300,060	300,000	60	8,026	100,000
	Capital Money Market	Financial assets at fair value through profit or loss	-	-	-	-	31,424	500,000	31,424	500,097	500,000	97	-	-

Note: Shown at their original investment amount.

YULON NISSAN MOTOR COMPANY, LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 3

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction (Note 1)		Note/Accounts Payable or Receivable (Note 2)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total (Note 3)
Yulon Nissan Motor Company, Ltd.	Yulon	Equity-method investor of the Company	Purchase	\$ 26,442,155	98	4 days after sales for parts	-	\$	-	-	(37)
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	29,363,162	89	3 days after sales for vehicles	-	-	253,951	-	45
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	418,775	1	Same as above	-	-	11,654	-	2
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	400,484	1	15 days after sales for parts	-	-	4,591	-	1
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	374,431	1	Immediate payment for vehicles	-	-	8,033	-	1
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	367,897	1	Same as above	-	-	2,576	-	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	312,014	1	15 days after sales for parts	-	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	288,167	1	Immediate payment for vehicles	-	-	7,389	-	1
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	283,917	1	15 days after sales for parts	-	-	1,152	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	253,520	1	Same as above	-	-	6,645	-	1

Note 1: Transaction terms are based on agreements.

Note 2: Balances shown here are notes and trade receivable from sales and notes and trade payable for purchases.

Note 3: Balances shown here are based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2015
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 4

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables	150.56	\$ -	-	\$ 253,951	\$ -
			Other receivables				23,757	

Note: The turnover rate was based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD.

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015		Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$57,371)	84,987	\$18,175,364	\$ 3,866,456	\$ 3,866,456	Note 2
Yi-Jan Overseas Investment Co., Ltd.	JetFord, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	US\$553,497	US\$121,825	US\$121,825	Note 2
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$21,700	-	US\$ 52,900	US\$100,146	US\$ 16,314	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 18,710	-	US\$ 24,422	US\$ 3,216	US\$ 1,065	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	US\$401,974	US\$286,860	US\$114,744	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US\$ 1,125	US\$ 1,125	-	US\$ 18,910	US\$ 5,022	US\$ 2,260	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Hubei (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars	US\$ 593	US\$ 593	-	US\$ (530)	US\$ 275	US\$ 135	Notes 2 and 3

Note 1: Shares of profit include the amortization of investment premium or discount.

Note 2: The carrying amount and related shares of profit of the equity investment were calculated based on the audited financial statements and percentage of ownership.

Note 3: The Company's share of loss exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

YULON NISSAN MOTOR COMPANY, LTD.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

TABLE 6

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outflow	Inflow						
Asolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,178,533 (US\$ 100,146)	\$ 512,073 (US\$ 16,134)	\$ 1,736,447 (US\$ 52,900)	\$ 2,157,064 (US\$ 67,080)
Asolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	102,081 (US\$ 3,216)	33,809 (US\$ 1,065)	801,660 (US\$ 24,422)	7,478,304 (US\$ 237,559)
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00	9,104,650 (US\$ 286,860)	3,641,860 (US\$114,744)	13,194,781 (US\$ 401,974)	15,294,620 (US\$ 490,523)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00	159,380 (US\$ 5,022)	71,721 (US\$ 2,260)	620,730 (US\$ 18,910)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00	8,727 (US\$ 275)	4,276 (US\$ 135)	(17,397) (US\$ -530)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,600)	\$13,173,107

Note 1: The Company indirectly owns these investees through Jet Ford, Inc., an investment company registered in a third region.

Note 2: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements and percentage of ownership.

Note 3: The upper limit was calculated in accordance with the "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission under the Ministry of Economic Affairs on August 22, 2008.

Note 4: The Company's share of losses exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

5. The Audited Consolidated Financial Statements of the Parent Company and Subsidiaries in Recent Year

Independent Auditors' Report

The Board of Directors and Stockholders
Yulon Nissan Motor Company, Ltd.

We have audited the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred in the first paragraph present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of Yulon Nissan Motor Company, Ltd. as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.



March 28, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$10,136,832	32	\$12,831,865	35
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,491,543	5	331,032	1
Notes receivable (Notes 4 and 8)	-	-	2,000	-
Notes receivable - related parties (Notes 4 and 29)	6,139	-	905	-
Trade receivables (Notes 4 and 8)	71,154	-	70,218	-
Trade receivables - related parties (Notes 4 and 29)	478,985	2	220,133	1
Other receivables (Notes 4 and 8)	38,978	-	96,152	-
Inventories (Notes 4 and 9)	3,020	-	2,739	-
Prepayments (Note 29)	87,080	-	509,050	2
Other financial assets (Note 10)	-	-	2,198,866	6
Total current assets	12,313,731	39	16,262,960	45
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 12)	16,353,618	53	17,734,336	49
Property, plant and equipment (Notes 4, 13 and 29)	1,936,231	6	1,758,753	5
Computer software (Notes 4, 14 and 29)	14,330	-	12,346	-
Deferred tax assets (Notes 4 and 23)	152,728	1	164,709	-
Other non-current assets (Notes 15 and 29)	408,397	1	573,443	1
Total non-current assets	18,865,304	61	20,243,587	55
TOTAL	\$31,179,035	100	\$36,506,547	100

(In Thousands of New Taiwan Dollars, Except Par Value)

LIABILITIES AND EQUITY	2015		2014	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 3,630,000	12	\$ 3,630,000	10
Notes payable	243,000	1	-	-
Trade payables	53,973	-	122,244	-
Trade payables - related parties (Note 29)	1,178,190	4	565,471	2
Other payables (Note 17)	901,930	3	882,601	2
Current tax liabilities (Notes 4 and 23)	747,255	2	977,135	3
Provisions (Notes 4 and 18)	202,844	1	172,054	-
Other current liabilities (Note 19)	<u>32,507</u>	<u>-</u>	<u>19,698</u>	<u>-</u>
Total current liabilities	<u>6,989,699</u>	<u>23</u>	<u>6,369,203</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Provisions (Notes 4 and 18)	43,706	-	86,282	-
Credit balance of investments accounted for using equity method (Notes 4 and 12)	17,397	-	22,141	-
Net defined benefit liabilities (Notes 4 and 20)	573,363	2	546,327	2
Deferred tax liabilities (Notes 4 and 23)	<u>1,599,692</u>	<u>5</u>	<u>2,552,082</u>	<u>7</u>
Total non-current liabilities	<u>2,234,158</u>	<u>7</u>	<u>3,206,832</u>	<u>9</u>
Total liabilities	<u>9,223,857</u>	<u>30</u>	<u>9,576,035</u>	<u>26</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>9</u>	<u>3,000,000</u>	<u>8</u>
Capital surplus	<u>6,129,405</u>	<u>20</u>	<u>6,129,405</u>	<u>17</u>
Retained earnings				
Legal reserve	3,640,263	12	2,987,887	8
Special reserve	788,877	2	788,877	2
Unappropriated earnings	<u>7,094,172</u>	<u>23</u>	<u>12,607,444</u>	<u>35</u>
Total retained earnings	<u>11,523,312</u>	<u>37</u>	<u>16,384,208</u>	<u>45</u>
Other equity	<u>1,302,461</u>	<u>4</u>	<u>1,416,899</u>	<u>4</u>
Total equity	<u>21,955,178</u>	<u>70</u>	<u>26,930,512</u>	<u>74</u>
TOTAL	<u>\$31,179,035</u>	<u>100</u>	<u>\$36,506,547</u>	<u>100</u>

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Note 29)				
Sales (Note 4)	\$ 33,155,124	100	\$ 33,126,357	100
Service revenue (Note 4)	11,646	-	8,078	-
Other operating revenue	<u>51,624</u>	<u>-</u>	<u>42,402</u>	<u>-</u>
Total operating revenue	33,218,394	100	33,176,837	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 22 and 29)	<u>27,913,181</u>	<u>84</u>	<u>28,855,176</u>	<u>87</u>
GROSS PROFIT	<u>5,305,213</u>	<u>16</u>	<u>4,321,661</u>	<u>13</u>
OPERATING EXPENSES (Notes 20, 22 and 29)				
Selling and marketing expenses	3,130,745	9	2,564,472	8
General and administrative expenses	421,443	1	385,186	1
Research and development expenses	<u>516,723</u>	<u>2</u>	<u>586,905</u>	<u>2</u>
Total operating expenses	<u>4,068,911</u>	<u>12</u>	<u>3,536,563</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 22 and 29)	<u>(1,486)</u>	<u>-</u>	<u>1,131</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,234,816</u>	<u>4</u>	<u>786,229</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of profit of associates	4,263,739	13	6,593,641	20
Interest income (Note 4)	344,492	1	398,147	1
Gain from valuation of financial assets, net	11,333	-	14,032	-
Gain on disposal of investment, net (Note 22)	1,866	-	5,964	-
Other revenue (Note 29)	1,871	-	5,078	-
Foreign exchange gain (loss), net (Note 22)	(801,876)	(3)	287,674	1
Interest expenses (Note 29)	(36,636)	-	(42,689)	-
Overseas business expenses (Note 29)	(14,710)	-	(18,712)	-
Other losses (Note 29)	<u>(5,208)</u>	<u>-</u>	<u>(2,687)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,764,871</u>	<u>11</u>	<u>7,240,448</u>	<u>22</u>
PROFIT BEFORE TAX	4,999,687	15	8,026,677	24
INCOME TAX EXPENSES (Notes 4 and 23)	<u>833,786</u>	<u>3</u>	<u>1,502,918</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,165,901</u>	<u>12</u>	<u>6,523,759</u>	<u>20</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	\$ (31,951)	-	\$ 982	-
Share of the other comprehensive income of associates accounted for using equity method	(334)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>5,488</u>	-	<u>(167)</u>	-
	<u>(26,797)</u>	<u>-</u>	<u>815</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(114,438)</u>	<u>-</u>	<u>1,206,461</u>	<u>3</u>
Other comprehensive income for the year, net of income tax	<u>(141,235)</u>	<u>-</u>	<u>1,207,276</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,024,666</u>	<u>12</u>	<u>\$ 7,731,035</u>	<u>23</u>
NET PROFIT ATTRIBUTED TO				
Owner of the company	<u>\$ 4,165,901</u>	<u>13</u>	<u>\$ 6,523,759</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO				
Owner of the company	<u>\$ 4,024,666</u>	<u>12</u>	<u>\$ 7,731,035</u>	<u>23</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$13.89</u>		<u>\$21.75</u>	
Diluted	<u>\$13.88</u>		<u>\$21.74</u>	

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock	Capital Surplus (Note 21)
BALANCE, JANUARY 1, 2014	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>
Appropriation of 2013 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividend distributed by the Company - \$19.47 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2014	-	-
Other comprehensive income for the year ended December 31, 2014, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2014	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2014	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2014 earnings		
Legal reserve	-	-
Cash dividend distributed by the Company - \$30 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2015	-	-
Other comprehensive income for the year ended December 31, 2015, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2015	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2015	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

(In Thousands of New Taiwan Dollars)

Retained Earnings (Notes 21 and 23)			Other Equity	
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
<u>\$ 2,257,887</u>	<u>\$ 1,228,789</u>	<u>\$ 12,213,958</u>	<u>\$ 210,438</u>	<u>\$ 25,040,477</u>
730,000	-	(730,000)	-	-
-	(439,912)	439,912	-	-
<u>-</u>	<u>-</u>	<u>(5,841,000)</u>	<u>-</u>	<u>(5,841,000)</u>
<u>730,000</u>	<u>(439,912)</u>	<u>(6,131,088)</u>	<u>-</u>	<u>(5,841,000)</u>
-	-	6,523,759	-	6,523,759
<u>-</u>	<u>-</u>	<u>815</u>	<u>1,206,461</u>	<u>1,207,276</u>
<u>-</u>	<u>-</u>	<u>6,524,574</u>	<u>1,206,461</u>	<u>7,731,035</u>
<u>2,987,887</u>	<u>788,877</u>	<u>12,607,444</u>	<u>1,416,899</u>	<u>26,930,512</u>
652,376	-	(652,376)	-	-
<u>-</u>	<u>-</u>	<u>(9,000,000)</u>	<u>-</u>	<u>(9,000,000)</u>
<u>652,376</u>	<u>-</u>	<u>(9,652,376)</u>	<u>-</u>	<u>(9,000,000)</u>
-	-	4,165,901	-	4,165,901
<u>-</u>	<u>-</u>	<u>(26,797)</u>	<u>(114,438)</u>	<u>(141,235)</u>
<u>-</u>	<u>-</u>	<u>4,139,104</u>	<u>(114,438)</u>	<u>4,024,666</u>
<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 7,094,172</u>	<u>\$ 1,302,461</u>	<u>\$ 21,955,178</u>

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,999,687	\$ 8,026,677
Adjustments for:		
Depreciation expenses	431,998	446,629
Amortization expenses	5,557	5,454
Gain on financial assets at fair value through profit or loss, net	(11,333)	(14,032)
Interest expense	36,636	42,689
Interest income	(344,492)	(398,147)
Share of profit of associates	(4,263,739)	(6,593,641)
Loss (gain) on disposal of property, plant and equipment, net	1,486	(1,131)
Gain on disposal of investment, net	(1,866)	(5,964)
Foreign exchange loss (gain), net	519,993	(460,335)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,147,312)	123,705
Notes receivable	2,000	(1,973)
Notes receivable - related parties	(5,234)	1,407
Trade receivables	(936)	(28,512)
Trade receivables - related parties	(258,852)	66,063
Other receivables	(22,265)	2,765
Inventories	(281)	(692)
Prepayments	(6,013)	(1,743)
Notes payable	243,000	-
Notes payable - related parties	-	(1,536)
Trade payables	(68,271)	(5,250)
Trade payables - related parties	469,293	(461,174)
Other payables	19,507	225,026
Other current liabilities	12,809	(1,721)
Deferred revenue	-	(1,643)
Provisions	(11,786)	14,399
Net defined benefit liabilities	(4,915)	(7,780)
Cash generated from operations	594,671	969,540
Interest paid	(36,814)	(42,794)
Income tax paid	(1,713,142)	(1,484,271)
Net cash used in operating activities	<u>(1,155,285)</u>	<u>(557,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	5,284,851	5,057,835
Interest received	423,931	650,394
Payment for property, plant and equipment (Note 25)	(441,433)	(527,655)
Proceeds from disposal of property, plant and equipment	6,329	4,638
Payments for computer software	(7,541)	(9,913)
Decrease in other financial assets	2,198,866	5,433,877
Decrease (increase) in refundable deposits	132,614	(303,478)
Net cash generated from investing activities	<u>7,597,617</u>	<u>10,305,698</u> (Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ -	\$ 1,000,000
Repayment of long-term borrowings	-	(1,000,000)
Payments of dividends	<u>(9,000,000)</u>	<u>(5,841,000)</u>
Net cash used in financing activities	<u>(9,000,000)</u>	<u>(5,841,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(137,365)</u>	<u>356,793</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,695,033)	4,263,966
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,831,865</u>	<u>8,567,899</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,136,832</u>	<u>\$ 12,831,865</u>

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 ND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October 2003 through a spin-off. The Company’s spin-off from Yulon intended to increase Yulon’s competitive advantage and participation in the global automobile network and to enhance its professional management. The spin-off date was October 1, 2003.

Yulon initially held 100% equity interest in the Company but then transferred its 40% equity to Nissan Motor Co., Ltd. (“Nissan”), a Japanese motor company, on October 30, 2003. The Company became listed on December 21, 2004 after the initial public offering application of the Company was accepted by the Taiwan Stock Exchange Corporation on October 6, 2004.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 28, 2016.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

Initial Application of the Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 Version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) Endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulation Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies.

New IFRSs in Issue But Not Yet Endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial

Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The financial statements of each individual group entity are presented in its functional currency, which is the currency of the primary economic environment. Statement of Compliance

The consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash, cash equivalents, assets held for trading purposes and assets that are expected to be converted into cash or consumed within one year from the balance sheet date; assets other than current assets are non-current assets. Current liabilities include liabilities due to be settled within one year from the balance sheet date; liabilities other than current liabilities are non-current liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their

accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11 and Table 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

ent in which the entity operates. The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars (NT\$). Upon preparing the consolidated financial statements, the operations and financial positions of each individual entity are translated into New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured at historical cost in foreign currencies are not retranslated.

The foreign currency financial statements of the foreign associates accounted for using equity method prepared in their functional currencies are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - period-end rates; profit and loss - average rates for the period; stockholders' equity - historical rate. Exchange differences arising are recognized in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average rates for the period; stockholders' equity items are translated using historical rate. Exchange differences arising are recognized in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the change in the Group's share of equity of associates.

When the Group's share of losses of an associate equals its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Investments accounted for using equity method are assessed for indicators of impairment at the end of each reporting period. When there is objective evidence that the investments accounted for using equity method has been impaired, the impairment losses are recognized in profit or loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

The Group depreciates molds and dies on the basis of estimated production volume. Other property, plant and equipment are depreciated by using straight-line method. The estimated production volume, useful lives, residual values and depreciation method of an asset are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Computer Software

Computer software is stated at cost, less subsequent accumulated amortization and subsequent accumulated impairment loss. The amortization is recognized on a straight-line basis over 3 years. Estimated useful lives, residual values and amortization method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of computer software shall be assumed to be zero unless the Group expects to dispose of the asset before the end of its economic life.

Impairment of Assets

When the carrying amount of property, plant and equipment and computer software exceeds its recoverable amount, the excess is recognized as an impairment loss. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized at fair values. Transaction costs

that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest (included dividend or interest received in the investment year) earned on the financial asset. Method to determine the fair value please refer to Note 28.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

b. Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized costs using the effective interest method.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability only when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Provisions

a. Inventory purchase commitment

Where the Group has a commitment under which the unavoidable costs of meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment, the present obligations arising under such commitment are recognized and measured as provisions.

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

b. Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

c. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Employee Benefit

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan.

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Current taxable payable depends on current tax income. Taxable income is different from the net income before tax on the consolidated statement of comprehensive income for the reason that partial revenue and expenses are taxable or deductible items in other period, or not

the taxable or deductible items according to related Income Tax Law. The Group's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings as the status of appropriations of earnings is uncertain.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions and other key sources of estimation uncertainty at the end of the reporting period.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2015 and 2014, the carrying values of trade receivables were \$595,256 thousand and \$389,408 thousand, respectively.

b. Property, plant and equipment - molds and dies

The Group depreciates molds and dies on the basis of estimated production volume. The Group examines the estimated production units of each model according to the market every 6 months and calculates the amount allocated for each mold and die, which is also the basis of depreciation of molds and dies.

c. Provisions for the expected cost of warranty

The Group calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of December 31, 2015 and 2014, the carrying amounts of provisions for warranty were \$123,055 thousand and \$146,358 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Group assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of December 31, 2015 and 2014, the carrying amounts of provisions for loss on inventory purchase commitment were \$123,495 thousand and \$111,978 thousand, respectively.

e. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	1,454,751	1,184,495
Foreign currency demand deposits	5,678,939	1,081,033
Cash equivalents		
Foreign currency time deposits	\$ 2,604,490	\$ 10,559,417
Time deposits	6,900	6,900
Repurchase agreements collateralized by bonds	<u>391,732</u>	<u>-</u>
	<u>\$ 10,136,832</u>	<u>\$ 12,831,865</u>

(Concluded)

Cash equivalents include time deposits that have a maturity of three months or less from the date of acquisition and repurchase agreements collateralized by bonds, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

The market interest rates intervals of cash in bank, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2015	2014
Demand deposits and time deposits	0.01%-6.80%	0.01%-3.40%
Repurchase agreements collateralized by bonds	1.50%	-

7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
<u>Financial assets at FVTPL - current</u>		
Non-derivative financial assets - mutual funds	<u>\$ 1,491,543</u>	<u>\$ 331,032</u>

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	2014
Notes receivable	\$ <u>-</u>	\$ <u>2,000</u>
Trade receivables	\$ <u>71,154</u>	\$ <u>70,218</u>
Other receivables		
Disposal of investment receivables	\$ 15,237	\$ -
Interest receivables	2,349	81,788
Others	<u>21,392</u>	<u>14,364</u>
	<u>\$ 38,978</u>	<u>\$ 96,152</u>

a. Notes receivable

There were no past due notes receivable balances at the end of the reporting period but the Group did not recognize an allowance for impairment loss

The aging of notes receivable was as follows:

	December 31	
	2015	2014
Less than 60 days	\$ <u>-</u>	\$ <u>2,000</u>

The above aging schedule was based on the invoice date.

b. Trade receivables

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2015	2014
0-60 days	\$ 49,966	\$ 36,875
61-90 days	15,795	10,771
91-120 days	5,393	15,844
121-180 days	<u>-</u>	<u>6,728</u>
	<u>\$ 71,154</u>	<u>\$ 70,218</u>

The above aging schedule was based on the invoice date.

The age of receivables that were past due but not impaired was as follow:

	December 31	
	2015	2014
1-60 days	<u>\$ 22,703</u>	<u>\$ 22,720</u>

The above aging schedule was based on the past due date.

c. Other receivables

When there is objective evidence that other receivables were impaired, the Group assesses impairment loss on other receivables for impairment individually.

There were no past due other receivables balances at the end of the reporting period and the Group did not recognize an allowance for impairment loss.

9. INVENTORIES

	December 31	
	2015	2014
Parts	\$ 3,020	\$ 1,664
Vehicle	<u>-</u>	<u>1,075</u>
	<u>\$ 3,020</u>	<u>\$ 2,739</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 was \$27,913,181 thousand, which included warranty cost of \$76,397 thousand and loss on inventory purchase commitment of \$11,517 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 was \$28,855,176 thousand, which included warranty cost of \$70,933 thousand and loss on inventory purchase commitment of \$2,166 thousand.

10. OTHER FINANCIAL ASSETS

Other financial assets are RMB time deposits with original maturities more than three months. The ranges of the market interest rates of these time deposits were as follows:

	December 31	
	2015	2014
Time deposit with original maturity more than three months	-	3.25%-3.75%

11. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31	
			2015	2014
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
<u>Material associate</u>		
Guangzhou Aeolus Automobile Co., Ltd.	\$ 13,194,781	\$ 12,650,417
<u>Associates that are not individually material</u>		
Aeolus Xiangyang Automobile Co., Ltd	1,736,447	2,716,828
Aeolus Automobile Co., Ltd.	801,660	1,804,815
Shenzhen Lan You Technology Co., Ltd.	\$ 620,730	\$ 562,276
Dong Feng Yulon Used Cars Co., Ltd.	(17,397)	(22,141)
	3,141,440	5,061,778
Add: Credit balance of investments accounted for using equity method	17,397	22,141
	3,158,837	5,083,919
	\$ 16,353,618	\$ 17,734,336
		(Concluded)

a. Material associate

At the end of the reporting periods, the proportions of ownership in associate held by the Group were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
	2015	2014
Guangzhou Aeolus Automobile Co., Ltd.	40%	40%

Refer to Table 5 “Information on Investees” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associates.

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs purposes.

Guangzhou Aeolus Automobile Co., Ltd.

	December 31	
	2015	2014
Current assets	\$ 13,615,010	\$ 8,447,475
Non-current assets	37,857,580	39,879,586
Current liabilities	(17,387,572)	(15,789,461)
Non-current liabilities	<u>(1,098,065)</u>	<u>(911,556)</u>
Equity	<u>\$ 32,986,953</u>	<u>\$ 31,626,044</u>
Equity attributable to the Group	<u>\$ 13,194,781</u>	<u>\$ 12,650,417</u>
Carrying amount	<u>\$ 13,194,781</u>	<u>\$ 12,650,417</u>
	For the Year Ended December 31	
	2015	2014
Revenue	<u>\$ 28,214,365</u>	<u>\$ 28,601,539</u>
Net profit for the period	<u>\$ 9,104,650</u>	<u>\$ 15,571,122</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ 2,841,940</u>	<u>\$ 2,916,518</u>

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2015	2014
The Group's share of:		
Net profit for the period	\$ 621,879	\$ 365,192
Other comprehensive income (loss)	<u>(334)</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 621,545</u>	<u>\$ 365,192</u>

c. Other information

The amount recognized as share of profit of associates on equity method for the three months and the years ended December 31, 2015 and 2014 were based on the financial statements for the same periods, which were audited by independent accountants.

13. PROPERTY, PLANT AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
Cost									
Balance at January 1, 2014	\$ 3,618,909	\$ 723,152	\$ 81,893	\$ 75,533	\$ 8,595	\$ 18,529	\$ 6,265	\$ 5,694	\$ 4,538,570
Additions	334,961	104,972	2,231	10,002	8,119	-	-	-	460,285
Disposals	-	-	(8,450)	(238)	(5,852)	(145)	(1,755)	-	(16,440)
Balance at December 31, 2014	<u>\$ 3,953,870</u>	<u>\$ 828,124</u>	<u>\$ 75,674</u>	<u>\$ 85,297</u>	<u>\$ 10,862</u>	<u>\$ 18,384</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,982,415</u>
Accumulated depreciation and impairment									
Balance at January 1, 2014	\$ (2,283,974)	\$ (349,445)	\$ (66,883)	\$ (61,780)	\$ (4,780)	\$ (16,082)	\$ (1,739)	\$ (5,283)	\$ (2,789,966)
Depreciation expense	(338,562)	(93,647)	(6,243)	(5,433)	(1,031)	(432)	(1,151)	(130)	(446,629)
Disposals	-	-	8,414	235	2,384	145	1,755	-	12,933
Balance at December 31, 2014	<u>\$ (2,622,536)</u>	<u>\$ (443,092)</u>	<u>\$ (64,712)</u>	<u>\$ (66,978)</u>	<u>\$ (3,427)</u>	<u>\$ (16,369)</u>	<u>\$ (1,135)</u>	<u>\$ (5,413)</u>	<u>\$ (3,223,662)</u>
Carrying value, net, December 31, 2014	<u>\$ 1,331,334</u>	<u>\$ 385,032</u>	<u>\$ 10,962</u>	<u>\$ 18,319</u>	<u>\$ 7,435</u>	<u>\$ 2,015</u>	<u>\$ 3,375</u>	<u>\$ 281</u>	<u>\$ 1,758,753</u>
Cost									
Balance at January 1, 2015	\$ 3,953,870	\$ 828,124	\$ 75,674	\$ 85,297	\$ 10,862	\$ 18,384	\$ 4,510	\$ 5,694	\$ 4,982,415
Additions	510,105	26,190	3,880	67,058	5,665	-	4,393	-	617,291
Disposals	-	-	(1,201)	(773)	(8,119)	(2,600)	-	-	(12,693)
Balance at December 31, 2015	<u>\$ 4,463,975</u>	<u>\$ 854,314</u>	<u>\$ 78,353</u>	<u>\$ 151,582</u>	<u>\$ 8,408</u>	<u>\$ 15,784</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,587,013</u>
Accumulated depreciation and impairment									
Balance at January 1, 2015	\$ (2,622,536)	\$ (443,092)	\$ (64,712)	\$ (66,978)	\$ (3,427)	\$ (16,369)	\$ (1,135)	\$ (5,413)	\$ (3,223,662)
Depreciation expense	(327,608)	(84,110)	(4,528)	(13,093)	(959)	(349)	(1,259)	(92)	(431,998)
Disposals	-	-	1,145	732	1,268	1,733	-	-	4,878
Balance at December 31, 2015	<u>\$ (2,950,144)</u>	<u>\$ (527,202)</u>	<u>\$ (68,095)</u>	<u>\$ (79,339)</u>	<u>\$ (3,118)</u>	<u>\$ (14,985)</u>	<u>\$ (2,394)</u>	<u>\$ (5,505)</u>	<u>\$ (3,650,782)</u>
Carrying value, net, December 31, 2015	<u>\$ 1,513,831</u>	<u>\$ 327,112</u>	<u>\$ 10,258</u>	<u>\$ 72,243</u>	<u>\$ 5,290</u>	<u>\$ 799</u>	<u>\$ 6,509</u>	<u>\$ 189</u>	<u>\$ 1,936,231</u>

There were no signs of impairment losses of assets for the years ended December 31, 2015 and 2014; therefore, the Group did not assess for impairment.

Except molds and dies are depreciated on an estimated production volume basis, other property, plant and equipment are depreciated on a straight-line method over the assets' estimated useful life of the assets. The estimated useful lives are as follows:

Computer equipment	2 to 5 years
Other equipment	
Powered equipment	15 years
Experimental equipment	3 to 8 years
Office and communication equipment	3 years
Other equipment	1 to 10 years
Transportation equipment	4 to 5 years
Machinery and equipment	3 to 10 years
Leasehold improvement	3 to 5 years
Tools	2 to 5 years

14. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance, January 1, 2014	\$ 22,451
Additions	9,913
Disposals	<u>(13,640)</u>
Balance, December 31, 2014	<u>\$ 18,724</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(5,454)
Disposals	<u>13,640</u>
Balance, December 31, 2014	<u>\$ (6,378)</u>
Carrying amounts at December 31, 2014	<u>\$ 12,346</u>
<u>Cost</u>	
Balance, January 1, 2015	\$ 18,724
Additions	7,541
Disposals	<u>(5,580)</u>
Balance, December 31, 2015	<u>\$ 20,685</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2015	\$ (6,378)
Amortization expense	(5,557)
Disposals	<u>5,580</u>
Balance, December 31, 2015	<u>\$ (6,355)</u>
Carrying amounts at December 31, 2015	<u>\$ 14,330</u>

15. OTHER NON CURRENT ASSETS

	For the Year Ended December 31	
	2015	2014
Refundable deposits	\$ 405,517	\$ 538,131
Prepayment for equipment	<u>2,880</u>	<u>35,312</u>
	<u>\$ 408,397</u>	<u>\$ 573,443</u>

Refundable deposits are mainly for materials the Company paid to Yulon.

16. BORROWINGS

Short-term Borrowings

	December 31	
	2015	2014
Unsecured borrowings	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>
Ranges of interest rate	0.96%-1.09%	0.96%-1.10%

17. OTHER PAYABLES

	For the Year Ended December 31	
	2015	2014
Advertising and promotion fees	\$ 425,110	\$ 156,097
Salaries and bonus	263,668	296,081
Taxes	20,840	230,936
Others	<u>192,312</u>	<u>199,487</u>
	<u>\$ 901,930</u>	<u>\$ 882,601</u>

18. PROVISIONS

	December 31	
	2015	2014
Current		
Inventory purchase commitment	\$ 123,495	\$ 111,978
Warranties	<u>79,349</u>	<u>60,076</u>
	<u>\$ 202,844</u>	<u>\$ 172,054</u>
Non-current		
Warranties	<u>\$ 43,706</u>	<u>\$ 86,282</u>

	Inventory Purchase Commitment	Warranties	Total
Balance at January 1, 2014	\$ 109,812	\$ 134,125	\$ 243,937
Additional provisions recognized	2,166	70,933	73,099
Paid	<u>-</u>	<u>(58,700)</u>	<u>(58,700)</u>

	Inventory Purchase Commitment	Warranties	Total
Balance at December 31, 2014	<u>\$ 111,978</u>	<u>\$ 146,358</u>	<u>\$ 258,336</u>
Balance at January 1, 2015	\$ 111,978	\$ 146,358	\$ 258,336
Additional provisions recognized	11,517	76,397	87,914
Paid	<u>-</u>	<u>(99,700)</u>	<u>(99,700)</u>
Balance at December 31, 2015	<u>\$ 123,495</u>	<u>\$ 123,055</u>	<u>\$ 246,550</u>

The provision for loss on inventory purchase commitment represents the present obligations of which the unavoidable costs meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment.

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranty under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends.

19. OTHER CURRENT LIABILITIES

	<u>December 31</u>	
	2015	2014
Withholding	\$ 15,617	\$ 1,716
Receipts in advance	9,149	15,156
Others	<u>7,741</u>	<u>2,826</u>
	<u>\$ 32,507</u>	<u>\$ 19,698</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2015 and 2014 was \$13,390 thousand and \$12,935 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

An analysis by function of the amounts recognized in profit or loss in respect of the defined contribution plan is as follows:

For the Year Ended December

	31	
	2015	2014
Selling and marketing expenses	\$ 4,423	\$ 4,136
General and administrative expenses	4,016	3,864
Research and development expenses	4,620	4,624
Non-operating expenses	<u>331</u>	<u>311</u>
	<u>\$ 13,390</u>	<u>\$ 12,935</u>

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jet Ford, Inc. as of December 31, 2015; therefore, the subsidiaries had no pension plan for employees.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of funded defined benefit obligation	\$ 583,971	\$ 568,683
Fair value of plan asset	<u>(10,608)</u>	<u>(9,957)</u>
Deficit	573,363	558,726
Unrecognized past service cost	<u>-</u>	<u>(12,399)</u>
Net defined benefit liability	<u>\$ 573,363</u>	<u>\$ 546,327</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Unrecognize d Past Service Cost	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	<u>\$ 573,593</u>	<u>\$ (3,601)</u>	<u>\$ (14,903)</u>	<u>\$ 555,089</u>
Service cost				
Current service cost	5,641	-	-	5,641
Past service cost	-	-	2,504	2,504
Net interest expense (income)	<u>10,038</u>	<u>(138)</u>	<u>-</u>	<u>9,900</u>
Recognized in profit or loss	<u>15,679</u>	<u>(138)</u>	<u>2,504</u>	<u>18,045</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(9)	-	(9)
Actuarial loss - changes in demographic assumptions	10,642	-	-	10,642
Actuarial gain - experience adjustments	<u>(11,615)</u>	<u>-</u>	<u>-</u>	<u>(11,615)</u>
Recognized in other comprehensive income	<u>(973)</u>	<u>(9)</u>	<u>-</u>	<u>982</u>
Contributions from the employer	<u>-</u>	<u>(6,209)</u>	<u>-</u>	<u>(6,209)</u>
Benefits paid	<u>(19,616)</u>	<u>-</u>	<u>-</u>	<u>(19,616)</u>
Balance at December 31, 2014	<u>\$ 568,683</u>	<u>\$ (9,957)</u>	<u>\$ (12,399)</u>	<u>\$ 546,327</u>
Balance at January 1, 2015	<u>\$ 568,683</u>	<u>\$ (9,957)</u>	<u>\$ (12,399)</u>	<u>\$ 546,327</u>
Service cost				
Current service cost	5,186	-	-	5,186
Past service cost	7,788	-	12,399	20,187
Net interest expense (income)	<u>9,764</u>	<u>(151)</u>	<u>-</u>	<u>9,613</u>
Recognized in profit or loss	<u>22,738</u>	<u>(151)</u>	<u>12,399</u>	<u>34,986</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(44)	-	(44)
Actuarial loss - changes in demographic assumptions	9,419	-	-	9,419
Actuarial loss - changes in financial assumptions	14,758	-	-	14,758
Actuarial loss - experience adjustments	<u>7,818</u>	<u>-</u>	<u>-</u>	<u>7,818</u>
Recognized in other	<u>31,995</u>	<u>(44)</u>	<u>-</u>	<u>31,951</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Unrecognize d Past Service Cost	Net Defined Benefit Liability (Asset)
comprehensive income				
Contributions from the employer	-	(6,325)	-	(6,325)
Benefits paid	(5,869)	5,869	-	-
Liabilities extinguished on settlement	(33,576)	-	-	(33,576)
Balance at December 31, 2015	<u>\$ 583,971</u>	<u>\$ (10,608)</u>	<u>\$ -</u>	<u>\$ 573,363</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2015	2014
Selling and marketing expenses	\$ 12,793	\$ 4,312
General and administrative expenses	11,885	7,680
Research and development expenses	9,075	5,240
Non-operating expenses	<u>1,233</u>	<u>813</u>
	<u>\$ 34,986</u>	<u>\$ 18,045</u>

The defined benefit cost for 2015 included the adjustments of the Company's initial application of 2013 version of IAS 19. The adjustments to past service cost, which amounted to \$12,399 thousand, did not have material impact; thus the financial statements were not restated.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate(s)	1.50%	1.75%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	\$
0.25% increase	<u>\$ (14,945)</u>
0.25% decrease	<u>\$ 15,522</u>
Expected rate(s) of salary increase	
0.25% increase	<u>\$ 15,104</u>
0.25% decrease	<u>\$ (14,619)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 3,387</u>	<u>\$ 6,674</u>
The average duration of the defined benefit obligation	10.6 years	10.7 years

21. EQUITY

a. Capital surplus

	December 31	
	2015	2014
Excess from spin-off	\$ 5,986,507	\$ 5,986,507
Generated from long-term investment	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

The capital surplus arising from shares issued in excess of par (including excess from spin-off) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus).

The capital surplus from long-term investment may not be used for any purpose.

b. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the legal reserve should be set aside at 10% of annual net income, less any accumulated deficit, and appropriate special reserve. The remainder of the income should be appropriated as follows:

- 1) 0.1% to 5% as bonus to employees.
- 2) The remainder and the undistributed retained earnings as dividends. The distribution is proposed by the board of directors and approved by the stockholders.

The Company operates in a mature and stable industry. In determining the ratio of cash dividends to stock dividends, the Company considers factors such as the impact of dividends on reported profitability, cash required for future operations, any potential changes in the industry, interest of the stockholders and the effect on the of Company's financial ratios. Thus, cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 6, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 30, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to 22.d Employee benefits expense.

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2014 and 2013 approved in the shareholders' meetings on June 30, 2015 and June 23, 2014, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Legal reserve	\$ 652,376	\$ 730,000		
Special reserve	-	(439,912)		
Cash dividends	9,000,000	5,841,000	\$ 30.00	\$ 19.47

As of March 28, 2016, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2015 earnings of the Company were not yet approved by the board of directors and stockholders.

22. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2015	2014
Gain (loss) on disposal of property, plant and equipment, net	<u>\$ (1,486)</u>	<u>\$ 1,131</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	\$ 431,998	\$ 446,629
Computer software	<u>5,557</u>	<u>5,454</u>
	<u>\$ 437,555</u>	<u>\$ 452,083</u>
Depreciation		
Operating cost	\$ 411,718	\$ 432,209
Operating expenses	<u>20,280</u>	<u>14,420</u>
	<u>\$ 431,998</u>	<u>\$ 446,629</u>
Amortization		
Operating expenses	<u>\$ 5,557</u>	<u>\$ 5,454</u>

c. Technical cooperation agreement

	For the Year Ended December 31	
	2015	2014
Operating cost	<u>\$ 519,874</u>	<u>\$ 507,681</u>

The Company has a technical cooperation agreement (the "TCA") with Nissan and Autech Japan, Inc.

The TCA with Nissan is based on purchase costs less commodity tax. The TCA with Autech Japan, Inc. is based on development expenses together with royalty expenses.

d. Employee benefit expenses

**For the Year Ended December
31**

	2015	2014
Post-employment benefit (Note 20)		
Defined contribution plans	\$ 13,390	\$ 12,935
Defined benefit plans	<u>34,986</u>	<u>18,045</u>
	<u>48,376</u>	<u>30,980</u>
Termination benefit	3,900	3,900
Labor and health insurance	37,114	36,868
Salary	529,180	525,329
Other employee benefit	<u>23,814</u>	<u>22,521</u>
	<u>594,008</u>	<u>588,618</u>
 Total employee benefit expenses	 <u>\$ 642,384</u>	 <u>\$ 619,598</u>
 An analysis of employee benefits expense		
Operating cost	\$ <u>625</u>	\$ <u>645</u>
Operating expenses	<u>\$ 640,195</u>	<u>\$ 617,829</u>
Non-operating expenses	<u>\$ 1,564</u>	<u>\$ 1,124</u>

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees at the rates no less than 0.1% and no higher than 5%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees was \$32,723 thousand representing 0.56% of the base net income. To be in compliance with the Company Act as amended in May 2015, in November 2015, the board of directors proposed amendments to the Company's Articles of Incorporation which stipulate to distribute employees' compensation at the rates no less than 0.1% of net profit before income tax. For the year ended December 31, 2015, the employees' compensation was \$11,500 thousand representing 0.23% of the base net profit. The employees' compensation in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on March 28, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on June 30, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 30, 2015 and June 23, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2015	2014
	Cash Dividends	Cash Dividends
Bonus to employees	\$ 32,723	\$ 31,500

There was no difference between the amounts of the bonus to employees approved in the shareholders' meetings on June 30, 2015 and June 23, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2015	2014
Foreign exchange gain	\$ 247,306	\$ 816,413
Foreign exchange loss	<u>(1,049,182)</u>	<u>(528,739)</u>
Net (loss) profit	<u>\$ (801,876)</u>	<u>\$ 287,674</u>

g. Gain or loss on sale of investment

	For the Year Ended December 31	
	2015	2014
Total gain on sale of investment	\$ 19,324	\$ 9,705
Total loss on sale of investment	<u>(17,458)</u>	<u>(3,741)</u>
Net profit	<u>\$ 1,866</u>	<u>\$ 5,964</u>

23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of current period	\$ 1,766,822	\$ 2,285,193
Income tax on unappropriated earnings	-	116,959
In respect of prior periods	1,885	1,265
Deferred tax		
In respect of current period	<u>(934,921)</u>	<u>(900,499)</u>
Income tax expense recognized in profit or loss	<u>\$ 833,786</u>	<u>\$ 1,502,918</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2015	2014
Profit before tax	<u>\$ 4,999,687</u>	<u>\$ 8,026,677</u>
Income tax expense calculated at the statutory rate	\$ 849,947	\$ 1,364,535
Adjustments for expenses in determining taxable income	(15,780)	23,854
Tax-exempt income	(2,266)	(3,695)
Additional income tax on unappropriated earnings	-	116,959
Adjustments for prior years' tax	<u>1,885</u>	<u>1,265</u>
Income tax expense recognized in profit or loss	<u>\$ 833,786</u>	<u>\$ 1,502,918</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC. Under the laws of the Cayman Islands and the British Virgin Islands, Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc., respectively, are tax-exempt.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
<u>Deferred tax</u>		
Current		
Share of the other comprehensive income of associates accounted for using equity method	\$ 56	\$ -
Actuarial gains and losses on defined benefit plan	<u>5,432</u>	<u>(167)</u>
Recognized in other comprehensive income	<u>\$ 5,488</u>	<u>\$ (167)</u>

c. Current tax liabilities

	December 31	
	2015	2014
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 747,255</u>	<u>\$ 977,135</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follow:

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,647	\$ (1,323)	\$ (167)	\$ 93,157
Impairment losses	52,247	(24,612)	-	27,635
Provisions for warranty	22,801	2,080	-	24,881
Provisions for loss on inventory purchase commitment	<u>18,668</u>	<u>368</u>	<u>-</u>	<u>19,036</u>
	<u>\$ 188,363</u>	<u>\$ (23,487)</u>	<u>\$ (167)</u>	<u>\$ 164,709</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 3,470,618	\$ (964,024)	\$ -	\$ 2,506,594
Unrealized exchange gain, net	<u>5,450</u>	<u>40,038</u>	<u>-</u>	<u>45,488</u>
	<u>\$ 3,476,068</u>	<u>\$ (923,986)</u>	<u>\$ -</u>	<u>\$ 2,552,082</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 93,157	\$ (836)	\$ 5,432	\$ 97,753
Impairment losses	27,635	(14,630)	-	13,005
Provisions for warranty	24,881	(3,962)	-	20,919
Provisions for loss on inventory purchase commitment	19,036	1,959	-	20,995
Share of the other comprehensive loss of associates accounted for using equity method	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
	<u>\$ 164,709</u>	<u>\$ (17,469)</u>	<u>\$ 5,488</u>	<u>\$ 152,728</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 2,506,594	\$ (914,127)	\$ -	\$ 1,592,467
Unrealized exchange gain, net	<u>45,488</u>	<u>(38,263)</u>	<u>-</u>	<u>7,225</u>
	<u>\$ 2,552,082</u>	<u>\$ (952,390)</u>	<u>\$ -</u>	<u>\$ 1,599,692</u> (Concluded)

e. Integrated income tax

	<u>December 31</u>	
	2015	2014
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 7,094,172</u>	<u>\$ 12,607,444</u>
Imputation credit account (“ICA”)	<u>\$ 594,566</u>	<u>\$ 881,287</u>
	For the Year Ended December 31	
	2015	2014
	(Expected)	(Expected)
Creditable ratio for distribution	18.91%	15.34%

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. Income tax assessment

The tax returns through 2013 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

The earnings and weighted-average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2015	2014
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 4,165,901</u>	<u>\$ 6,523,759</u>

Weighted-average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2015	2014
Weighted-average number of ordinary shares in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	<u>154</u>	<u>141</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,154</u>	<u>300,141</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares; thus, the Group assumed the entire amount of the compensation or the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Company entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2015	2014
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 617,291	\$ 460,285
Transfer prepayment for equipment to property, plant and equipment	(80,996)	(20,352)
Decrease in trade payables	<u>(94,862)</u>	<u>87,722</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 441,433</u>	<u>\$ 527,655</u>

26. OPERATING LEASE AGREEMENTS

The Company as Lessee

Operating leases relate to leases of office with lease term between 6 and 20 years.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
No later than 1 year	\$ 10,474	\$ 2,508
Later than 1 year and not later than 5 years	<u>4,067</u>	<u>3,971</u>
	<u>\$ 14,541</u>	<u>\$ 6,479</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

The carrying amounts of the financial assets and financial liabilities that are not measured at fair value are approximately equal to their fair values.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

a) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets at</u>				
<u>FVTPL</u>				
Non-derivative				
financial assets held				
for trading	<u>\$1,491,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,491,543</u>

December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets at</u>				
<u>FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 331,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,032</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair value of fund beneficiary certificate traded on active market is the net asset value on balance sheet date. If there is no market price, the fair value is determined by the redemption value. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	<u>December 31</u>	
	2015	2014
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Held for trading	\$ 1,491,543	\$ 331,032
Loans and receivables (Note 1)	10,732,088	15,420,139
<u>Financial liabilities</u>		
Amortized cost (Note 2)	5,699,943	4,876,724

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables and part of other payables.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, trade payables, and borrowings. The Group's Corporate Treasury function coordinates access to domestic and international financial markets, manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of

risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured. Sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. Details of sensitivity analysis for foreign currency risk and for interest rate risk are set out in (a) and (b) below.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the RMB, U.S. dollars and Japanese yen.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency strengthen 5% against the relevant currency. For a 5% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<u>RMB</u>		<u>U.S. Dollar</u>		<u>Japan Yen</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Gain (loss)	\$(163,051)	\$(678,748)	\$(271,558)	\$ (5,979)	\$ (383)	\$ (1,434)

This was mainly attributable to the exposure outstanding on RMB, U.S. dollars and Japanese Yen cash in bank, repurchase agreement collateralized by bonds, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rate at the end of the reporting period were as follows:

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 3,001,776	\$ 12,796,831
Financial liabilities	500,000	500,000
Cash flows interest rate risk		
Financial assets	7,135,036	2,233,880
Financial liabilities	3,130,000	3,130,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would decrease/increase by \$10,013 thousand and \$2,240 thousand, which were mainly attributable to the Group's exposure to interest rates on its demand deposits, variable-rate bank time deposits and borrowings.

2) Credit risk

The Group's concentration of credit risk of 67% and 46% in total trade receivables as of December 31, 2015 and 2014, respectively, were related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the available unutilized short-term borrowing facilities were both \$2,070,000 thousand.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2015

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Floating interest rate instrument	-	\$ 1,664,346	\$ 223,486	\$ 180,929
Fixed interest rate instrument	0.96	3,132,829	-	-
	1.09	<u>500,269</u>	<u>-</u>	<u>-</u>
		<u>\$ 5,297,444</u>	<u>\$ 223,486</u>	<u>\$ 180,929</u>

December 31, 2014

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Floating interest rate instrument	-	\$ 1,018,924	\$ 67,421	\$ 150,019
Fixed interest rate instrument	0.96	1,133,555	2,000,925	-
	1.10	<u>500,135</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,652,614</u>	<u>\$ 2,068,346</u>	<u>\$ 159,019</u>

29. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, the Group had business transactions with the following related parties:

- a. Related parties

Related Party	Relationship with the Group
Investors that have significant influence over the Group	
Nissan Motor Corporation (“Nissan”)	Equity-method investor of the Company
Yulon Motor Co., Ltd. (“Yulon”)	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Motor India Private Limited	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distribution Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Philippines Inc.	Same as above
Autech Japan, Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Zhenzhou Nissan Automobile Co., Ltd.	Same as above
Allied Engineering Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Yulon Energy Service Co., Ltd.	Same as above
Yulon China Investment Limited	Same as above
Univation Motor Philippines, Inc.	Substantial related party of Yulon
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above

(Continued)

Related Party	Relationship with the Group
Le-Wen Co., Ltd	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Same as above
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Y.M. Hi-Tech Industry Ltd.	Subsidiary of China Ogihara Corporation
DFS Industrial Group Co., Ltd.	Substantial related party of Dongfeng Nissan Passenger Vehicle Co.
LUXGEN Motor Co., Ltd (Taoyuan)	Subsidiary of LUXGEN Motor Co., Ltd
LUXGEN Motor Co., Ltd (Taichung)	Same as above
LUXGEN Motor Co., Ltd (Kaohsiung)	Same as above

(Concluded)

- b. Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and parties were disclosed below:

1) Trading transactions

	For the Year Ended December	
	2015	2014
<u>Sales</u>		
Investors that have significant influence over the Group	\$ 20,807	\$ 11,212
Other parties	<u>32,622,352</u>	<u>32,546,046</u>
	<u>\$ 32,643,159</u>	<u>\$ 32,557,258</u>

**For the Year Ended December
31**

	2015	2014
<u>Service revenue</u>		
Investors that have significant influence over the Group	\$ 11,646	\$ 1,382
Other parties	-	6,696
	\$ 11,646	\$ 8,078

Other operating revenue

Investors that have significant influence over the Group	\$ 12,093	\$ 16,547
Other parties	32,668	21,209
	\$ 44,761	\$ 37,756

The Company designs and performs R&D of cars for investor with significant influence. Service revenue is recognized according to the related contracts.

Other operating revenue of the Company arose from selling steel plates, steel and aluminum parts, and engaging in vehicles identification and testing.

**For the Year Ended December
31**

	2015	2014
<u>Operating cost - purchase</u>		
Investors that have significant influence over the Group	\$ 26,527,529	\$ 27,463,115
Other parties	35,940	108,182
	\$ 26,563,469	\$ 27,571,297

Operating cost - TCA

Investors that have significant influence over the Group	\$ 500,100	\$ 507,681
Other parties	19,774	-
	\$ 519,874	\$ 507,681

Operating expense - rental

Investors that have significant influence over the Group	\$ 16,495	\$ 13,626
Other parties	12,683	13,296
	\$ 29,178	\$ 26,922

The Company's TCA is the payment to investors with significant influence over the Group, with whom the Company has technical cooperation agreements.
The Company's rental expenses paid monthly are primarily comprised of customer service system, building property, car testing expenses, cars and driving service for its executives.

	For the Year Ended December 31	
	2015	2014
<u>Selling and marketing expenses</u>		
Investors that have significant influence over the Group	\$ 22,243	\$ 32,908
Other parties	<u>1,538,344</u>	<u>1,468,999</u>
	<u>\$ 1,560,587</u>	<u>\$ 1,501,907</u>
<u>General and administrative expenses</u>		
Investors that have significant influence over the Group	\$ 12,050	\$ 12,211
Other parties	<u>184,265</u>	<u>183,379</u>
	<u>\$ 196,315</u>	<u>\$ 195,590</u>
<u>Research and development expenses</u>		
Investors that have significant influence over the Group	\$ 50,131	\$ 100,291
Other parties	<u>25,275</u>	<u>27,922</u>
	<u>\$ 75,406</u>	<u>\$ 128,213</u>

Selling and marketing expenses are payment to other parties for advertisement and promotion.

General and administrative expenses are payment to other parties for consulting, labor dispatch and IT services.

Research and development expenses are payment to investors with significant influence over the Group for sample products, trial fee and System.

The Company bought molds from related parties (molds purchased were recorded under property, plant and equipment) as follows:

	For the Year Ended December 31	
	2015	2014
Investors that have significant influence over the Group	\$ -	\$ 16,624
Other parties	<u>124,019</u>	<u>130,942</u>
	<u>\$ 124,019</u>	<u>\$ 147,566</u>

2) Non-operating transactions

	For the Year Ended December 31	
	2015	2014
<u>Other revenue</u>		
Investors that have significant influence over the Group	\$ -	\$ 168
Other parties	<u>33</u>	<u>-</u>
	<u>\$ 33</u>	<u>\$ 168</u>
<u>Overseas business expenses</u>		
Other parties	<u>\$ 4,970</u>	<u>\$ 13,344</u>
<u>Other losses</u>		
Investors that have significant influence over the Group	<u>\$ 4,357</u>	<u>\$ 31</u>

3) Receivables from related parties

	December 31	
	2015	2014
<u>Notes receivable</u>		
Other parties	<u>\$ 6,139</u>	<u>\$ 905</u>
<u>Trade receivables</u>		
Investors that have significant influence over the Group	\$ 22,636	\$ 14,890
Other parties	<u>456,349</u>	<u>205,243</u>
	<u>\$ 478,985</u>	<u>\$ 220,133</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

	December 31	
	2015	2014
<u>Trade payables</u>		
Investors that have significant influence over the Group	\$ 669,569	\$ 253,986
Other parties	<u>508,621</u>	<u>311,485</u>
	<u>\$ 1,178,190</u>	<u>\$ 565,471</u>

The outstanding trade payables from related parties are unsecured.

5) Refundable deposits

	December 31	
	2015	2014
Investors that have significant influence over the Group	\$ 373,496	\$ 488,561
Other parties	<u>7,601</u>	<u>47,977</u>
	<u>\$ 381,097</u>	<u>\$ 536,538</u>

6) Prepayments

	December 31	
	2015	2014
Investors that have significant influence	<u>\$ 9,089</u>	<u>\$ 7,715</u>

Prepayments over the Group are for office rent.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Short-term employee benefit	\$ 46,015	\$ 44,464
Post-employment benefit	<u>2,342</u>	<u>1,986</u>
	<u>\$ 48,357</u>	<u>\$ 46,450</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to \$2,055,877 thousand and \$2,061,218 thousand for the years ended December 31, 2015 and 2014, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the trade receivable sold to Taiwan Acceptance Corporation were \$1,127 thousand and \$1,149 thousand for the years ended December 31, 2015 and 2014, respectively.
- 2) The Company bought other equipment for \$238 thousand and 247 thousand from Singgual Technology Co., Ltd. for the years ended December 31, 2014 and 2015, respectively. All of them were recorded under property, plant and equipment.
- 3) The Company sold property, plant and equipment to related-party during the year ended

December 31, 2014. Details are summarized as follows:

	Amount	Carrying Value	Gain on Disposal
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 4,629	\$ 3,468	\$ 1,161

- 4) The Company bought computer software for \$148 thousand from Singgual Technology Co., Ltd. for the year ended December 31, 2014. All of them were recorded under computer software.
- 5) The Company signed molds contracts with Diamond Leasing Service Co., Ltd.

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is \$1,080,206 thousand (excluding of tax) and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2015, the Company had already paid \$894,332 thousand (recognized as property, plant, and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

30. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2015 were as follows:

- a. The Company re-signed a manufacturing contract with Yulon, effective on or after May 1, 2015, for 5 years. This contract, for which the first expiry date was on April 30, 2020, is automatically extended annually unless either party issues a termination notice at least three months before expiry. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

The Company is responsible for developing new car models, refining designs, and providing the sales projection to Yulon. Yulon is responsible for transforming the sales projections into manufacturing plans, making the related materials orders and purchases, providing product quality assurance, delivering cars, and shouldering warranty expenses due to any defects in products made by Yulon.

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2015, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	<u>December 31</u>	
	2015	2014
Acquisition of property, plant and equipment	\$ 2,051	\$ 234,249
Acquisition of computer software	<u>3,953</u>	<u>296</u>
	<u>\$ 5,974</u>	<u>\$ 234,545</u>

31. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 165,459	32.825 (USD:NTD)	\$ 5,431,168
RMB	325,103	0.1540 (RMB:USD)	1,643,428
RMB	323,840	4.995 (RMB:NTD)	1,617,582
JPY	28,382	0.2727 (JPY:NTD)	<u>7,740</u>
			<u>\$ 8,699,918</u>
<u>Financial liabilities</u>			
Monetary item			
JPY	300	0.2727 (JPY:NTD)	<u>\$ 82</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,607,224	5.0920 (RMB:NTD)	\$ 8,183,984
RMB	1,042,417	0.1634 (RMB:USD)	5,390,974
USD	3,778	31.650 (USD:NTD)	119,586
JPY	108,653	0.2646 (JPY:NTD)	<u>28,749</u>
			<u>\$ 13,723,293</u>
<u>Financial liabilities</u>			
Monetary item			
JPY	278	0.2646 (JPY:NTD)	<u>\$ 74</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2015		2014	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	5.0330 (RMB:NTD)	\$ (272,144)	4.9202 (RMB:NTD)	\$ 327,859
RMB	0.1606 (RMB:USD)	(500,735)	0.1628 (RMB:USD)	(123,286)
USD	31.739 (USD:NTD)	(40,641)	30.306 (USD:NTD)	85,485
JPY	0.2624 (JPY:NTD)	<u>11,644</u>	0.2870 (JPY:NTD)	<u>(2,384)</u>
		<u>\$ (801,876)</u>		<u>\$ 287,674</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 1 (attached)
- 4) Marketable securities acquired and disposed at cost or prices at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached)
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- 9) Trading in derivative instruments: None
- 10) Information on investees: Table 5 (attached)
- 11) Intercompany relationships and significant intercompany transactions: Table 6 (attached)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) 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.

33. SEGMENTS INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segment

	Revenue		Profit Before Tax	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2015	2014	2015	2014
Vehicle segment	\$29,550,469	\$29,690,734	\$ 1,112,316	\$ 813,125
Part segment	3,604,655	3,435,623	604,894	461,811
Investment segment	-	-	4,249,029	6,574,929

	Revenue		Profit Before Tax	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Other segment	63,270	50,480	(468,645)	(471,847)
	<u>\$33,218,394</u>	<u>\$33,176,837</u>	5,497,594	7,378,018
Gain (loss) on disposal of property, plant and equipment			(1,486)	1,131
Interest income			344,492	398,147
Gain on fair value changes of financial assets at fair value through profit or loss			\$ 11,333	\$ 14,032
Gain on disposal of investment, net			1,866	5,964
Foreign exchange loss (gain), net			(801,876)	287,674
Interest expense			(36,636)	(42,689)
Central administration cost and directors' compensation			(15,600)	(15,600)
Profit before tax			<u>\$ 4,999,687</u>	<u>\$ 8,026,677</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2015 and 2014.

Segment profit represents the profit earned by each segment, excluding the allocation of gain (loss) on disposal of property, plant and equipment, interest income, foreign exchange loss (gain), net, gain on fair value changes of financial assets at fair value through profit or loss, gain on disposal of investment, net, interest expense, central administration cost and directors' compensation, and income tax expense. The amount is provided to the chief operating decision maker for allocating resources and assessing the performance.

b. Segment total assets

	December 31	
	2015	2014
Vehicle segment	\$ 1,842,403	\$ 1,717,969
Part segment	42,194	3,174
Investment segment	16,353,618	17,734,336
Other segment	36,516	37,610
	18,274,731	19,493,089
Unallocated assets	12,904,304	17,013,458
Consolidated total assets	<u>\$ 31,179,035</u>	<u>\$ 36,506,547</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2015	2014
Vehicles	\$ 29,550,469	\$ 29,690,734
Parts	3,604,655	3,435,623
Others	<u>63,270</u>	<u>50,480</u>
	<u>\$ 33,218,394</u>	<u>\$ 33,176,837</u>

d. Geographical information

The Group's revenues from external customers by location of operations are detailed below.

	For the Year Ended December 31	
	2015	2014
Domestic	\$ 32,923,002	\$ 32,910,048
Overseas	<u>295,392</u>	<u>266,789</u>
	<u>\$ 33,218,394</u>	<u>\$ 33,176,837</u>

The Group's non-current assets by location of assets are detailed below.

	December 31	
	2015	2014
Domestic	\$ 2,358,958	\$ 2,344,542
Overseas	<u>-</u>	<u>-</u>
	<u>\$ 2,358,958</u>	<u>\$ 2,344,542</u>

e. Information about major customers

The Group's revenue from major customers is detailed below.

	For the Year Ended December 31	
	2015	2014
Certain customer from the vehicle segment	<u>\$ 29,363,162</u>	<u>\$ 29,532,957</u>

No other single customers contributed 10% or more to the Group's revenue for both 2015 and 2014.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 1

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2015			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>						
	Yuanta RMB Money Market TWD	-	Financial assets at fair value through profit or loss	27,794	\$ 302,328	-	\$ 302,328
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	13,274	200,398	-	200,398
	Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss	12,412	200,000	-	200,000
	Prudential Financial Money Market	-	Financial assets at fair value through profit or loss	9,654	150,689	-	150,689
	Allianz Gbl Investors Taiwan Money Mkt	-	Financial assets at fair value through profit or loss	8,102	100,215	-	100,215
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss	8,096	100,203	-	100,203
	FSITC Money Market	-	Financial assets at fair value through profit or loss	568	100,053	-	100,053
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	8,461	100,052	-	100,052
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss	8,026	100,000	-	100,000
	Franklin Templeton Sinomam Money Market	-	Financial assets at fair value through profit or loss	7,964	81,212	-	81,212
	Allianz Global Investors Gbl Biotech	-	Financial assets at fair value through profit or loss	1,071	43,846	-	43,846
	Nomura Global Biotech & Health Care	-	Financial assets at fair value through profit or loss	667	12,547	-	12,547

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value and the redemption price as of December 31, 2015

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 2

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates Yuanta RMB Money Market TWD	Financial assets at fair value through profit or loss	-	-	9,821	\$100,000	27,794	\$300,000	9,821	\$ 103,844	\$100,000	\$ 3,844	27,794	\$ 300,000
	Nomura Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	49,764	800,000	37,352	601,191	600,000	1,191	12,412	200,000
	Paradigm Pion Money Market	Financial assets at fair value through profit or loss	-	-	-	-	43,936	500,000	43,936	500,777	500,000	777	-	-
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	30,045	400,000	30,045	400,304	400,000	304	-	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	32,137	400,000	24,111	300,060	300,000	60	8,026	100,000
	Capital Money Market	Financial assets at fair value through profit or loss	-	-	-	-	31,424	500,000	31,424	500,097	500,000	97	-	-

Note: Shown at their original investment amount.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 3

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction (Note 1)		Note/Accounts Payable or Receivable (Note 2)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
Yulon Nissan Motor Company, Ltd.	Yulon	Equity-method investor of the Company	Purchase	\$ 26,442,155	98	4 days after sales for parts	\$ -	\$ (548,969)	(37)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	29,363,162	89	3 days after sales for vehicles	-	253,951	45	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	418,775	1	Same as above	-	11,654	2	-
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	400,484	1	15 days after sales for parts	-	4,591	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	374,431	1	Immediate payment for vehicles	-	8,033	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	367,897	1	Same as above	-	2,576	-	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	312,014	1	15 days after sales for parts	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	288,167	1	Immediate payment for vehicles	-	7,389	1	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	283,917	1	Same as above	-	1,152	-	-
	Yushim Motor Co., Ltd.	Subsidiary of Yulon	Sale	253,520	1	Same as above	-	6,645	1	-

Note 1: Transaction terms are based on agreements.

Note 2: Balances shown here are notes and trade receivable from sales and notes and trade payable for purchases.

Note 3: Balances shown here are based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 4

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables \$ 253,951	150.56	\$ -	-	\$ 253,951	\$ -
			Other receivables 23,757				23,757	

Note: The turnover rate was based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015		Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	\$18,175,364	\$ 3,866,456	\$ 3,866,456	Notes 2 and 3
Yi-Jan Overseas Investment Co., Ltd.	Jetford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	US\$553,497	US\$121,825	US\$121,825	Notes 2 and 3
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	US\$ 52,900	US\$100,146	US\$ 16,134	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 18,710	-	US\$ 24,422	US\$ 3,216	US\$ 1,065	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	US\$401,974	US\$286,860	US\$114,744	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US\$ 1,125	US\$ 1,125	-	US\$ 18,910	US\$ 5,022	US\$ 2,260	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Hubei (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars	US\$ 593	US\$ 593	-	US\$ (530)	US\$ 275	US\$ 135	Notes 2 and 4

Note 1: Shares of Profit include the amortization of investment premium or discount.

Note 2: The carrying amount and related shares of profit of the equity investment were calculated based on the audited financial statements and percentage of ownership.

Note 3: Eliminated.

Note 4: The Company's share of losses exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 6

Number (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	a	Trade receivables - related parties	\$ 5,360	-	-
				Reduction of general and administrative expenses	21,228	-	-

Note 1: Intercompany relationships are numbered as follows:

- a. The Company is numbered as 0.
- b. Subsidiaries are numbered from number 1.

Note 2: Nature of relationships is numbered as follows:

- a. The Company to subsidiaries is numbered as 1.
- b. Subsidiaries to the Company is numbered as 2.
- c. Subsidiaries to subsidiaries is numbered as 3.

Note 3: Eliminated.

Note 4: The prices and payment terms for related-party transactions were based on agreements.

Note 5: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

TABLE 7

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,178,533 (US\$ 100,146)	\$ 512,073 (US\$ 16,134)	\$ 1,736,447 (US\$ 52,900)	\$ 2,157,064 (US\$ 67,080)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	102,081 (US\$ 3,216)	33,809 (US\$ 1,065)	801,660 (US\$ 24,422)	7,478,304 (US\$ 237,559)
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB 2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00	9,104,650 (US\$ 286,860)	3,641,860 (US\$ 114,744)	13,194,781 (US\$ 401,974)	15,294,620 (US\$ 490,523)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00	159,380 (US\$ 5,022)	71,721 (US\$ 2,260)	620,730 (US\$ 18,910)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00	8,727 (US\$ 275)	4,276 (US\$ 135)	(17,397) (US\$ -530)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,600)	\$13,173,107

- Note 1: The Company indirectly owns these investees through Jet Ford, Inc., an investment company registered in a third region.
- Note 2: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements and percentage of ownership.
- Note 3: The upper limit was calculated in accordance with the “Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission under the Ministry of Economic Affairs on August 22, 2008.
- Note 4: The Company’s share of losses exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

6. The company and its affiliates have not encountered any financial difficulties over the last years and as of the the publication date of the annual report:

No applicable. This company and its affiliates have not encountered any financial difficulties.

VII · Review and Analysis of Financial Conditions and Operation Performance and Risk Management

1. Financial Conditions

Unit : NTD thousand

Item	Fiscal Year		Difference	
	Fiscal year 2015	Fiscal year 2014	Amount	%
Current Assets	\$ 12,313,731	\$ 16,262,960	-\$ 3,949,229	-24
Long-Term Equity Investments	16,353,618	17,734,336	-1,380,718	-8
Fixed Assets	1,936,231	1,758,753	177,478	10
Other Assets	575,455	750,498	-175,043	-23
Total Assets	31,179,035	36,506,547	-5,327,512	-15
Current Liabilities	6,989,699	6,369,203	620,496	10
Other Liabilities	2,234,158	3,206,832	-972,674	-30
Total Liabilities	9,223,857	9,576,035	-352,178	-4
Share Capital	3,000,000	3,000,000	0	0
Capital Reserves	6,129,405	6,129,405	0	0
Retained Earnings	11,523,312	16,384,208	-4,860,896	-30
other adjustment items shareholders' equity	1,302,461	1,416,899	-114,438	-8
Total share holder equity	21,955,178	26,930,512	-4,975,334	-18

Variance Analysis (For those with percentage of difference up to more than 20%, and with the amount up to NTD 10 million in the recent two fiscal years)

- (1) Reduction of current assets was caused by more payment of cash dividend through bank deposit in 2015.
- (2) The reduction of other assets was for business operations in 2015 and the refund of some guarantee deposit.
- (3) The reduction of non-current liabilities was the receipt of dividends distributed by the reinvested company in 2015 and therefore reversing the deferred income tax liabilities produced from the investment income in equity method.
- (4) The reduction of retained earnings was caused by the distribution of dividends in 2015.

2. Financial Performance

(1) Comparison and Analysis of Financial Performance

Unit : NTD thousand

Item	Fiscal Year		Increase (Decrease) Amount	Changes(%)
	Fiscal year 2015	Fiscal year 2014		
Gross Revenue	\$ 33,245,520	\$ 33,199,661	45,859	0
Less: Sales Returns Sales Allowances	<u>27,126</u>	<u>22,824</u>	4,302	19
Net Operating Revenue	33,218,394	33,176,837	41,557	0
Operating Cost	<u>27,913,181</u>	<u>28,855,176</u>	-941,995	-3
Operating margin	5,305,213	4,321,661	983,552	23
Operating Expenses	<u>4,070,397</u>	<u>3,535,432</u>	534,965	15
Operating Profit	1,234,816	786,229	448,587	57
Non-Operating Revenue and Gain	4,623,301	7,304,536	-2,681,235	-37
Non-Operating Expense and Loss	<u>858,430</u>	<u>64,088</u>	794,342	1239
Income Before Income Tax	4,999,687	8,026,677	-3,026,990	-38
Income Tax Expense	<u>833,786</u>	<u>1,502,918</u>	-669,132	-45
Net Income	<u>\$ 4,165,901</u>	<u>\$ 6,523,759</u>	-2,357,858	-36

Variance Analysis (For those with percentage of difference up to more than 20%, and with the amount up to NTD 10 million in the recent two fiscal years)

- (1) The increase of operating profits and operating income was because of the deflation of Japanese Yen that led to reduction of purchase cost.
- (2) The reduction in non-operating income, income tax expense, earning before tax and net profits was caused by the reduction in profits from reinvested company this year.
- (3) The increase in non-operating expense was because of RMB deflation and hence the increase of loss in foreign currency exchange.

(2) Gross profit analysis :

Unit : NTD thousand

Item	Variance between two periods	Difference sources			
		Selling Price Difference	Cost Price Difference	Combined Sales Difference	Volume difference
Gross Profit	983,552	-91,157	-788,288	-524,421	-254,827
Content	<ol style="list-style-type: none"> 1. Unfavorable price variance was caused by the reduction in sales price for cars in 2015. 2. Favorable cost variance was caused by the reduction of purchase price for cars in 2015. 3. Favorable marketing portfolio variance was caused by the increase in sales ratio for cars with higher margin in 2015. 4. Favorable volume difference occurred mainly because of increase in sales volume of cars in 2014. 5. The Company accepted the commission from NISSAN Motor Corp. to engage in the research and design with service revenue increased by NTD3,568 thousand in 2015. 6. For the company income from the sales of steel plates, aluminum alloy and involvement in certification and testing, the non-operating income was increased by NTD9,222 thousand in 2015. 				

3. Cash Flow Analysis**(1) Cash Flow Analysis for the Recent 2 years**

Item	Fiscal Year		Increase (Decrease) Ratio (%)
	Fiscal year 2015	Fiscal year 2014	
Cash Flow Ratio (%)	NOTE	NOTE	-
Cash Flow Adequacy Ratio (%)	39	69	-30
Cash Reinvestment Ratio (%)	NOTE	NOTE	-
Difference Analysis and Description of Changes in Increase and Decrease Ratio: Reduced cash flow adequacy ratio was caused by buying more funds and net cash used increase in operating activities. NOTE:Operational activities were net cash outflow and therefore not included in the calculation.			

(2) Cash Flow Analysis for the Next Year

Unit:NTD thousand

Cash balance at the beginning of the year	Expected annual net cash flow from operating activities	Expected annual net cash flow from investment and accommodation activities	Expected cash balance	Expected contingency plan for insufficient cash	
				Investment plan	Financial plan
10,136,832	795,466	646,612	11,578,910	-	-

4. Influence on Financial Condition caused by Prominent Capital Expenditures in fiscal year 2015

(1) The Use and Capital Source of Prominent Capital Expenditure

Unit : NTD thousand

Program items	Actual and estimated source of capital	Actual or estimated date of completion	Total fund needed	Actual or estimated use of capital					
				Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	Fiscal year 2018
Model Clamp Lifting Tool	Self-owned fund	2018.12.31	2,953,771	515,061	439,933	536,295	568,298	423,274	470,910
Other equipment	Self-owned fund	2018.12.31	150,856	24,685	20,352	80,996	19,284	2,535	3,004
MIS equipment	Self-owned fund	2018.12.31	68,315	3,231	9,913	7,541	17,000	22,790	7,840

(2) Anticipated benefits

1. Invested in new model mold, increase production line to raise market shares.
2. The investment in information system related hardware and software, updating management information system will increase the managerial efficiency and strengthen market competition capabilities.
3. Increase the degree of automation, reduce the labor costs.

5. Investment Policy in Fiscal Year 2015, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan

Unit : USD thousand \ NTD thousand

Investor Company	Investee Company	Percentage of Ownership on December 31,2011	Investment Gain (Loss)	Cause of Gain(Loss)	Improvement plan	Investment plan in the currently year
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	100	\$ 3,866,456	Growing Status of China Car Market	Nil	Nil
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	100	USD121,825	Growing Status of China Car Market	Nil	Nil
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	16.55	USD 16,134	Growing Status of China Car Market	Nil	Nil
	Guangzhou Aeolus Automobile Co., Ltd.	40	USD114,744	Growing Status of China Car Market	Nil	Nil
	Aeolus Automobile Co., Ltd.	33.12	USD 1,065	Business Growth	Nil	Nil
	Shenzhen Lan You Technology Co., Ltd.	45	USD 2,260	Business Growth	Nil	Nil
	Dong Yulon Feng Used Cars Co., Ltd.	49	USD 135	Change and reduction in operation.	Nil	Nil

6. Risk Management and Evaluation

(1) Influence of the interest rate, foreign exchange rate and rate of inflation on company's profit/loss and plans to encounter these risks in the future:

1. Influence of interest rate fluctuation on the company's profit/loss and future coping strategies:

The market interest rate is quite low in recent years, so the affect of fluctuation on the company's profit/loss is limited.

2. Influence of foreign exchange rate fluctuation on the company's profit/loss and future coping strategies

To avoid potential risks, the company has not specially manipulated the foreign exchange rate; the exchange rate difference is utilizing the sharing method agreed with Nissan.

3. Influence of inflation on the company's profit/loss and future coping strategies: Nil.

(2) Policy on High Risk, High Leverage Investment, Capital Loans to Others, Endorsement and Trade on Derivatives, Major Reason for Profit/Loss and plans to encounter these risks in the future:

1. This company has not involved in High Risk, High Leverage Investment.

2. As to the Capital Loans to Others, Endorsement and Trade on Derivatives, these activities are governed by company's 'Procedure of Capital Loans to Others', 'Procedure of Endorsement' and 'Procedure of Trade on Derivatives'. There was no related activity in 2014.

(3) Future research/development plans and estimated investing R&D expenditure:

Please refer to : V、Highlights of Operations—1.Business Scope —(3)Technology, Research and Development (R&D)

(4) Important Changes of Local and Foreign Government Policies and Regulations and Their Influence Over Company's Financial Condition and Plans to Encounter these Risks in the Future:

After entering the WTO, the company has not enjoyed the favorable tax exemption/deduction of goods since the fiscal year 2005, but the company has reduced the purchasing cost and expenses, therefore the influence on the company's profit/loss is limited.

(5) Changes on technology and industrial change influence toward the company's finance business and coping strategies:

The company has the best car research/development team and personnel in the country, to quickly handle the technology changes and industrial change.

(6) Changes on Corporate Image that Influence Company's Risk Management and Contingency Plans:

The company has a good corporate reputation, and there has been no negative report in connection with the corporation.

(7) Benefit anticipated and possible risks of merge and acquisition:

It's not applicable, because the company was not involved in any merge and acquisition.

(8) Benefit anticipated and possible risks of plant site expansion: N/A.

(9) Risks of having purchase or sales centralization

1. Purchase: The company incoming shipment is Yulon Motor Company, Ltd., it's a listed company that has an outstanding credibility, excellent production technology and strong finance, so the company has no need of worrying about the interruption of incoming shipment.
2. Sales: Local market is the main selling of the company, selling cars and parts to the consumers through each location dealer. The company has an exclusive department responsible for supervising the sales development of each dealer, after a long period, the dealers' sales are pretty stable, so there is no risk of having sales centralization

(10)The impact and the risk of having a big Volume of transferring or changes of Shareholders equity of the Directors, Supervisors or holding more than10% shares shareholders, Except for the releasing of shares : Nil.

(11)The impact and risk of changing operating rights of the company: Nil.

(12)Litigation/Non-Litigation Events:

1. The company: Nil.
2. The proportion of shares that the owned by big shareholders like the Company's Board Members, Supervisors, General Manager, Real Owner that exceeds 10% and the belonging company: Nil.

(13)Other Important Risks and actions to be taken: Nil.

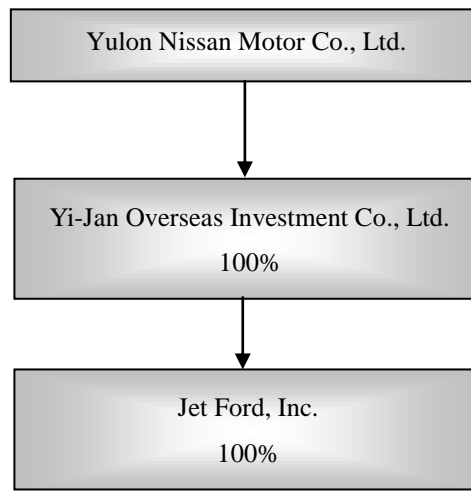
7. Other Important Items: Nil

VIII、Special Noted Items

1. Affiliates information

(1) Affiliates Consolidated Operation Statement

1. Organization Chart of Yulon Motor's Affiliated Companies



2. Basic information of affiliates

Dec. 31, 2015

Unit : USD thousand

Name	Establishing Date	Address	Actually accrued capital amount	Main Business Items
Yi-Jan Overseas Investment Co., Ltd.	1999.11.17	2F,Cayside,Harbour Drive P.O.Box 30592 S.M.B. George Town Grand Cayman Island B.W.I.	USD 84,987	Investments
Jet Ford, Inc.	1994.01.12	P.O.Box 3151 Road Town, Tortola British Virgin Islands	USD 71,772	Investments

3. Shareholders representing both holding companies and subordinates: Nil

4. Information of the directors, supervisors, and general managers of the affiliates

Dec. 31, 2015

Name	Title	Name or representative	Shares	
			Shares	Percentage
Yi-Jan Overseas Investment Co., Ltd.	Director	Yulon Nissan Motor Co., Ltd. Representative: Kenneth K. T. Yen	84,986,756	100%
Jet Ford, Inc.	Director Director Director	Yi-Jan Overseas Investment Co., Ltd. Representative : Kenneth K. T. Yen Kuo-Rong Chen Wen-Rong Tsay	71,771,793	100%

5. Affiliates' Operating Results

Dec. 31, 2015

Unit : NTD thousand

Affiliate Code Number	Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating net income	Net Income / Loss (after-tax)	Earning Per Share (NT dollar) (after-tax)
22270001	Yi-Jan Overseas Investment Co., Ltd.	2,740,770	18,175,364	0	18,175,364	3,866,599	3,866,456	3,866,456	45.49
22270002	Jet Ford, Inc.	2,347,251	18,192,370	23,834	18,168,536	4,263,739	4,242,384	3,866,599	53.87

(2) Affiliates Consolidated Financial Report:

Statement

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No.10, ”Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed is included in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours

Company Name: Yulon Nissan Motor Co., Ltd.

Responsible person: Kenneth K. T. Yen

March 28, 2016

(3) Consolidated report of public companies and their affiliates: Nil

- 2. Fiscal Year 2015 and prior to the publication date of the annual report, The Status of Issuing Private Placement Securities: Nil**
- 3. Fiscal Year 2015 and prior to the publication date of the annual report, Acquisition or Disposal of Yulon Shares by Subsidiaries: Nil**
- 4. Other necessary supplementary notes: Nil**
- 5. Any events that had significant impacts on shareholders’ right or securities prices as stated in Section 2 Paragraph 2 in Article 36 of the Securities Transaction Law for fiscal year 2015 and prior to the publication date of the annual report: Nil**

Yulon Nissan Motor Co., Ltd.

Chairman Kenneth K. T. Yen

裕隆日產汽車股份有限公司



董事長 嚴 凱 泰



主要車系 *Product Information*

INFINITI 車系

QX50 3.7



Q50 Sedan
3.5 Hybrid / 2.0 Turbo



QX60
2.5 Hybrid / 3.5



Q60 Coupe 3.7



QX70 3.7



Q70 Sedan 3.7 / 2.5



Q30 2.0 Turbo / 1.6 Turbo



NISSAN 車系

370Z 3.7



GT-R 3.8



MURANO 2.5 Hybrid



JUKE 1.6



TEANA 2.5 / 2.0



X-TRAIL 2.5 / 2.0



SUPER SENTRA 1.8



BIG TIIDA 1.6 / 1.6 Turbo



SENTRA aero 1.8



TIIDA 1.6



LIVINA 1.6



MARCH 1.5



Corporate Vision

Becoming the Benchmark Company of "Product Innovation"
and "Service Innovation" in the Cross Strait Auto Industry

YULON NISSAN MOTOR CO., LTD.

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