

YULON NISSAN

**YULON NISSAN MOTOR CO., LTD
ANNUAL REPORT 2017**



Printed on May 24, 2018
SEC:mops.twse.com.tw
Official Website:www.nissan.com.tw

I. Name, title, and phone of the spokesperson:

Name: Joseph Hsiung

Title: Vice President

Tel. : 886-37-875881 Ext. 1601

E-mail : yulon-nissan.ir@yulon-nissan.com.tw

Deputy Spokesperson : Emma.Lin

Title : Vice General Manager

Tel. : 886-37-875881 Ext. 1130

E-mail : emma.lin@yulon-nissan.com.tw

II. Headquarters and plant address:

Headquarters: No. 39-2, Bogongkeng, Xihu Village, Sanyi Town, Miaoli County, Taiwan

Tel. : 886-37- 875881

Official Website : <http://www.nissan.com.tw>

Taipei Branch: 7F, No. 150, Sec. 2, Nanking E. Road, Taipei City (Hualian Building)

Tel. : 886-2- 25156421

Official Website : <http://www.nissan.com.tw>

III. Name, address, and phone of the stock transfer agency:

Name: Yulon Motor Co., Ltd. Stock Affairs Office

Address: 7F, No. 150, Sec. 2, Nanking E. Road, Taipei City (Hualian Building)

Tel. : 886-2- 25156421

Official Website : <http://www.nissan.com.tw>

IV. Name, Firm, address, and phone of the acting independent auditors:

2017 Independent Auditors: Wan-Yi Liao and Robert Yu

CPA Firm: Deloitte & Touche

Address: 12F, No. 156, Sec. 3, Minsheng E. Road, Taipei City (Hongtai Century Building)

Tel. : 886-2-2545-9988

Website : <http://www.deloitte.com.tw>

V. Overseas securities exchange corporation listing: None

VI. Corporate Website : <http://www.nissan.com.tw>

| Contents |

| | |
|--|----|
| I. Letter to Shareholders | 1 |
| 1. 2017 Operating Performance | 3 |
| 2. Highlights of Business Operation Plans for 2018 | 3 |
| 3. Future Development Strategy of The Company | 4 |
| 4. Impact of External Environment (including competitors, regulations, macroeconomics and other factors) | 4 |
| II. Company Brief Introduction | |
| 1. Established Date | 5 |
| 2. Highlights of Development | 5 |
| 3. 2017 Operation Results | 6 |
| 4. Others | 6 |
| III. Company Management Report | |
| 1. Organizational System | 7 |
| (1) Organization Chart | 7 |
| (2) Organizational Functions | 8 |
| 2. Information of Directors, Supervisors, President, Senior Vice President, Vice President, General Manager | 9 |
| (1) Directors and Supervisors' Information | 9 |
| (2) Information of President, Senior Vice President, Vice President and General Manager | 19 |
| (3) Payment of Remuneration to Directors, Supervisors, President and Senior Vice President | 25 |
| (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. | 30 |
| 3. Operation of Corporate Governance | 31 |
| (1) Operational Status of the Board of Directors | 31 |
| (2) Operational Status of the Audit Committee | 33 |
| (3) The Attendance of Directors and Supervisors and Operational Status of the Board of Directors | 34 |
| (4) The Difference in Contrast to the Operation of Corporate Governance and the Listed / OTC Company's Corporate Governance Codes of Practice and Reasons | 35 |
| (5) Remuneration Committee | 44 |
| (1) Data of Remuneration Committee Members | 44 |
| (2) Operational Status of Remuneration Committee | 45 |
| (6) Implementing Corporate Social Responsibility | 46 |
| (7) Status of Honest Operation Implemented by the Company and the Adopted Measures: | 51 |

| | |
|---|----|
| (8) Inquiry Method of Governance Codes, Important Information for enhancing realization of Operation of Corporate Governance and Relevant Regulations Established by the Company. | 54 |
| (9) Execution Status of Internal Control System..... | 55 |
| 1. Statement of Internal Control System..... | 55 |
| 2. Project Examination Report of CPAs' Internal Control System..... | 55 |
| (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 2017 and prior to the Publication Date of the Annual Report ... | 56 |
| (11) Major Resolutions made by the Shareholders Meeting and Board of Directors Meeting in Fiscal year 2017 and prior to the Publication Date of Annual Report..... | 56 |
| (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 2017 and Prior to the Publication Date of the Annual Report..... | 57 |
| (13) The discharge and resignation of Chairman, President, Accounting Chief, Financial Affairs Chief, Internal Audit Chief, and R&D supervisors for 2016 and Prior to the Publication Date of the Annual Report..... | 57 |
| 4. Information on CPA Audit Fees | 58 |
| (1) Information on CPA Audit Fees | 58 |
| (2) Amount of Audit and Non-Audit Fees and Contents of Non-Audit Services..... | 58 |
| (3) The Change of CPA Firms and the Audit Fees after change is Lower than that before change, the Reduced Amount, Proportion and Reason | 58 |
| (4) The Audit Fees after Change is More than 15% lower than that before Change, the Reduced Fee Amount, Proportion and Reason | 58 |
| 5. Information on Change of CPAs | 59 |
| (1) Information of the Previous CPAs..... | 59 |
| (2) Information of the Successive CPAs | 59 |
| (3) Previous CPAs' Reply of Article 10-5-1 and 10-5-2-3 of Guidelines Governing the Preparation of Financial Reports by Securities Issuers | 59 |
| 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 | 60 |
| 7. Changes of Share and Share Collateralizing for Directors, Supervisors, Managers and Shareholders with over 10% of Shares Held During the 2017 Fiscal year and Prior to the Publication Date of the Annual Report | 60 |
| (1) Changes of Share for Directors, Supervisors, Managers and Major Shareholders | 60 |
| (2) Information of Share Changes..... | 62 |
| (3) Information of Share Collateralizing | 62 |
| 8. Information on the top-10 shareholders who are affiliates or related as spouse or second cousins | 63 |
| 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..... | 64 |

IV. Capital Raising Status

| | |
|--|----|
| 1. Capital and Shares | 65 |
| (1) Source of Share Capital | 65 |
| (2) Structure of Shareholders | 65 |
| (3) Status of Ownership Dispersion | 66 |
| (4) List of Major Shareholders | 66 |
| (5) Information about Market Price per share, Net Value, Earnings, Dividends and Related Information in Recent 2 Years..... | 67 |
| (6) Dividend Policy and Execution Status | 67 |
| (7) The Effect of the Distribution of Stock Dividend as Proposed by this Shareholders Meeting on Operation Performance and Earning per Share | 68 |
| (8) Compensation of the Employee, Directors and Supervisors..... | 68 |
| (9) Status of Company's Repurchased Treasury Shares | 69 |
| 2. Corporate Bonds issued | 69 |
| 3. Preferred Stock issued | 69 |
| 4. GDR (Global Depositary Receipt) Issued | 69 |
| 5. Employee Stock Options Issued | 69 |
| 6. Restricted Stock Dividends of Employee Issued | 69 |
| 7. New Shares Issued for Merger or Acquisition..... | 69 |
| 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..... | 69 |

V. Highlights of Operations

| | |
|---|----|
| 1. Business Content | 70 |
| (1) Business Scope..... | 70 |
| (2) Industry Summary | 70 |
| (3) Technology, Research and Development (R&D)..... | 72 |
| (4) Long, Short term Business Development Plan | 73 |
| 2. Market, Production & Sales Review..... | 77 |
| (1) Market Analysis | 77 |
| (2) The major usage and production processes of main products | 78 |
| (3) Supplies of main raw materials | 79 |
| (4) List of Major Suppliers and Clients Over the Recent 2 Fiscal Years | 79 |
| (5) Production Volume over the recent 2 years..... | 79 |
| (6) Sales Volume of Recent 2 Fiscal Years..... | 79 |
| 3. Employee Data for the Recent Two Years and as of the Publication Date of Annual Report | 80 |
| 4. Expenditures on Environmental Protection | 80 |
| (1) Losses and Disposal caused by environmental pollution over the recent years. | 80 |
| (2) Probable environmental expenditures | 80 |

| | |
|--|-----|
| 5. Labor-Capital Relationship..... | 80 |
| (1) Current Prominent Labor-Capital Agreements, Employee Benefits and Their Implementation..... | 80 |
| (2) Labor Dispute..... | 81 |
| 6. Prominent Contracts | 82 |
| VI. FINANCIAL INFORMATION | |
| 1. Condensed Financial Statements for the recent 5 fiscal year | 83 |
| (1) Condensed Balance Sheet and Comprehensive Income Statement– IFRS..... | 83 |
| (2) CPAs’ Name and Auditor opinions..... | 86 |
| 2. Financial Analysis in Recent 5 years..... | 87 |
| 3. Supervisor Audit Report..... | 91 |
| 4. Recent Annual Financial Statements | 92 |
| 5. The Audited Consolidated Financial Statements of the Parent Company and Subsidiaries in Recent Year | 157 |
| 6. The company and its Affiliates have not encountered any Financial Difficulties over the Last years and as of the Publication Date of the Annual Report | 229 |
| VII. Review and Analysis of Financial Conditions and Operation Performance and Risk Management | |
| 1. Financial Conditions..... | 230 |
| 2. Financial Performance..... | 231 |
| (1) Comparison and Analysis of Financial Performance | 231 |
| (2) Gross Profit Analysis..... | 232 |
| 3. Cash Flow Analysis | 232 |
| (1) Cash Flow Analysis for the Recent 2 Years..... | 232 |
| (2) Cash Flow Analysis for the Next Year..... | 232 |
| 4. Influence on Financial Condition caused by Prominent Capital Expenditures in Fiscal year 2017 | 233 |
| (1) The Use and Capital Source of Prominent Capital Expenditure..... | 233 |
| (2) Anticipated Benefits..... | 233 |
| 5. Investment Policy in Fiscal Year 2017, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan..... | 233 |
| 6. Risk Management and Evaluation | 234 |
| (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..... | 234 |
| (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..... | 234 |
| (3) Future Research/Development Plans and Estimated Investing R&D Expenditure | 234 |
| (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..... | 234 |

| | |
|---|-----|
| (5) Changes on Technology and Industrial Change Influence toward the company's Finance Business and Coping Strategies | 234 |
| (6) Changes on Corporate Image that Influence Company's Risk Management and Contingency Plans..... | 234 |
| (7) Benefit Anticipated and Possible Risks of Merge and Acquisition | 235 |
| (8) Benefit Anticipated and Possible Risks of Plant Site Expansion | 235 |
| (9) Risks of having Purchase or Sales Centralization | 235 |
| (10) The Impact and the Risk of having a big Volume of Transferring or Changes of Shareholders Equity of the Directors, Supervisors or Shareholders who Hold more than 10% Shares, Except for the Releasing of Shares | 235 |
| (11) The Impact and Risk of Changing Operating Rights of the Company..... | 235 |
| (12) Litigation/Non-Litigation Events | 235 |
| (13) Other Important Risks and Actions to be Taken | 235 |
| 7. Other Important Items | 235 |

VIII. Special Noted Items

| | |
|--|-----|
| 1. Affiliates Information | 236 |
| (1) Affiliates Consolidated Operation Statement | 236 |
| (2) Affiliates Consolidated Financial Report | 238 |
| (3) Consolidated Report of Public Companies and their Affiliates..... | 238 |
| 2. Fiscal Year 2017 and Prior to the Publication Date of the Annual Report, The Status of Issuing Private Placement Securities..... | 238 |
| 3. Fiscal Year 2017 and Prior to the Publication Date of the Annual Report, Acquisition or Disposal of Yulon Shares by Subsidiaries..... | 238 |
| 4. Other Necessary Supplementary Notes | 238 |
| 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 2017 and Prior to the Publication date of the Annual Report..... | 238 |

I. Letter to Shareholders

Dear Shareholders,

In 2017, Taiwan's economy benefited from the rising prices of international raw materials and the increase of exported electronic products. Owing to robust export growth and moderate rise of private consumption, the economic performance improved gradually quarter by quarter, with the annual economic growth rate reaching 2.86%. In 2017, driven by the facts that the government continued to promote the subsidy program for replacing old vehicles with new ones and that automakers actively introduced new vehicle models, the total sales of Taiwan's automobile market amounted to 435,000 units, increasing by 1.0% compared to 2016, and domestic auto sales declined by 4.1% while imported car grew by 8.8%. In 2017, NISSAN launched TIIDA and SENTRA, two car models that boast NISSAN's next-generation V-Motion 2.0 concept car design features, and INFINITI Q60 Coupe, the all-new flagship high-performance sports car, and the overall sales momentum was boosted. The total of 42,630 vehicles were sold in the year, with a market share of 9.8%.

In 2017, a total of 28.879 million vehicles were sold in the Chinese automotive market, which was 3.0% higher than 2016. Dongfeng Nissan Passenger Vehicle Company sold 1.251 million units, which represented a growth of 11.9% compared to 2016. According to the estimates of China Association of Automobile Manufacturers (CAAM), the sales volume of cars in mainland China will reach 29.42 million units in 2018, which is 1.9% higher than the previous year. It is expected that the sales performance of Dongfeng Nissan will exceed the growth rate of the total market. NISSAN TAIWAN's auto parts sales revenue in 2017 totaled NT\$ 150 million, and the export regions cover Thailand, Malaysia, the Philippines, China, South Korea, Japan, Egypt, Indonesia, and Vietnam. In 2018, we will continue to expand the market of exported auto parts to create greater growth momentum for the Company's revenue.

Benefited from the launch of new car models, the investment in mainland China, and the export revenue of auto parts, NISSAN TAIWAN's operating revenue for 2017 was NT\$ 33.22 billion, and the operating profit was NT\$ 2.08 billion, which was 72.7% higher than 2016; the pre-tax income was NT\$ 8 billion, which was 43.3% higher than 2016; the EPS after tax was NT\$ 22.14, which was 43.4% higher than 2016.

In the face of fierce competition in the automotive market, NISSAN TAIWAN will actively introduce new vehicles in 2018 to meet the diverse needs of consumers. NISSAN will launch the all-new facelifted X-TRAIL with upgraded safety features in May and the 2018 Nissan Kicks, a brand-new crossover, in the fourth quarter to enhance the competitive edge of the product portfolio; INFINITI introduced the new QX30 compact crossover in April and is expected to introduce the all-new high-tech QX50 SUV in the fourth quarter so as to consolidate the market with outstanding product competitiveness. In terms of customer service, NISSAN claimed first place, once again, of non-luxury auto brands in the J.D. Power 2017 Taiwan Customer Service Index (CSI) Study SM. NISSAN has won the honor for 4 consecutive years and won the trust and recognition of all customers. In the future, NISSAN will continue to enhance sales and service quality, improve hardware and software equipment, and apply innovative information technology to provide instant services and maintain a high level of customer satisfaction. INFINITI will continue to upgrade its dealerships in accordance with the internationally renowned "IREDI" (INFINITI Retail Environment Design Initiative) design specifications for global display sites to create spacious, bright and gallery-like showrooms that boast five-star services to give customers a wonderful home-like experience.

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. 2017 Operating Performance:

(1) Operating Performance

Unit : NTD thousand

| Fiscal Year | Fiscal year 2016 | Fiscal year 2017 |
|-------------------------|------------------|------------------|
| Operating Revenue | 34,860,446 | 33,221,774 |
| Profit Before Tax | 5,586,104 | 8,003,421 |
| Net Profit For The Year | 4,630,615 | 6,642,500 |
| Earnings Per Share | 15.44 | 22.14 |

(2) Profitability Analysis perating Performance

| Fiscal Year | Fiscal year 2016 | Fiscal year 2017 |
|------------------------|------------------|------------------|
| Profit Margin On Sales | 3.45% | 6.25% |
| Income after Tax (%) | 13.28% | 19.99% |
| Return on assets (%) | 15.30% | 23.96% |
| Return on equity (%) | 21.29% | 31.08% |

(3) Comparison of Sales Performance in Major Competitors

| Brands | Fiscal year 2016 | | Fiscal year 2017 | |
|------------|------------------|--------|------------------|--------|
| | units | share | units | share |
| NISSAN | 44,723 | 10.4% | 42,630 | 9.8% |
| TOYOTA | 142,670 | 33.2% | 128,069 | 29.5% |
| MITSUBISHI | 46,327 | 10.8% | 48,184 | 11.1% |
| HONDA | 27,355 | 6.4% | 34,070 | 7.8% |
| FORD | 19,630 | 4.6% | 20,185 | 4.6% |
| OTHER | 149,647 | 34.6% | 161,519 | 37.2% |
| TOTAL | 430,352 | 100.0% | 434,657 | 100.0% |

2. Highlights of Business Operation Plans for 2018 :

(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 “NISSAN INTELLIGENT MOBILITY (NIM) 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 :

To sustain the demand for company growth, NISSAN Motor reexamines the mid and long-term internal and external environmental impact assessment and identifies the future potential market risks and opportunities. The Company prudently designs the “One-Two-Three Mid-Term Strategic Plan” and expects to establish the core competitive advantage for the next generation in 3 years, in order to assure the accomplishment of mid-term strategic objectives.

The framework of “One-Two-Three” Mid-Term Strategic Plan includes two principal objectives, 3S Strategic Framework, and Nine Major Strategic Supports:

- (1) Two Principal Objectives: Set up the certain market share and objectives in operating profits before 2020.
- (2) The 3S Strategic Framework includes the following three strategic constituents and the different strategic supports of composition:
 - A. Sell More – Sales growth strategy based on “innovation.”
 - B. Spend Wise – Cost thinning strategy based on “reciprocity.”
 - C. Share with Hearts – Corporate rooting strategy based on “sharing.”

The company will comprehensively examine the changes in corporate nature and competitive environment through the formulation of mid-term strategy plans; setting up mid and long-term strategic objectives, designing mid and long-term strategic orientation, and refining the corporate cultural value with effective repurposing of organization management.

The mid-term strategic plan will establish a “people-oriented” corporate foundation with the purpose to create resource sharing, responsibility sharing, and outcome sharing “inclusive environment.” The plan will expand the potential and value of employees so that employees will incessantly discover innovation and take challenge with courage. All employees will develop consensus through intense communication and good interaction in the process, which will become the specific contribution of compelling power in “Sell More” and “Spend Wise.”

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

In recent years, the development of the automotive market has remained stable as a result of the replacement policy and new model launches. Looking at the economy in 2018, major research institutions predicted that the global economy will continue seeing the cyclical recovery of the past, which is expected to continuously boost Taiwan’s export momentum and stabilize the moderate growth of the domestic market. To continuously maintain a stable growth and secure the corporate sustainable development, the Company has to actively plan and carry out the short-term and long-term action plans periodically.

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.
- Jun. 2004: The company's stock processed a public issuance.
- 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.
- 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.
- Jun. 2006: The whole new NISSAN TIIDA featuring "Magical Big Space" made its stage debut.
- Aug. 2006: Yulon Nissan Motor was honored to receive the award as the automobile manufacturer with the highest proportion of export to Japan.
- 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
- Jan. 2009: NISSAN was awarded the No. 1 Ideal Domestic Car Brand
- Apr. 2009: Launch of NISSAN ALL NEW TEANA of car craft revitalization
- 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.
- 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.
- Oct. 2013: Introduction of all new NISSAN SUPER SENTRA.
- Mar. 2014: NISSAN ALL NEW LIVINA was launched.
- Mar. 2015: Power saving NISSAN ALL NEW LIVINA 2015 was officially 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.
- Oct. 2015: NISSAN J.D. Power dual champion in 2015 non-luxury Customer Service Index (CSI) and Sales Satisfaction Index (SSI).
- Dec. 2015: NISSON SUPER SENTRA 2016 revolutionary model was launched.
- Jan. 2016: NISSAN JUKE 2016 was launched.
- Jan. 2016: INFINITI Q30/Q80 was on display in Taipei Auto Show for the first time.
- Mar. 2016: NISSAN SUPER SENTRA was launched.
- Mar. 2016: NISSAN launched BIG TIIDA TURBO with a special offer.
- Mar. 2016: 2016 INFINITI Q50 HYBRID was launched officially.

- Jun. 2016: 2016 NISSAN X-TRAIL 2.0L features the upgraded safety equipment.
- Jun. 2016: The inauguration of the IREDI flagship display center in Taipei Songjiang was held.
- Jul. 2016: INFINITI Q30 was launched.
- Sep. 2016: NISSAN MURANO HYBRID was launched officially at NT\$1.99 million.
- Sep. 2016: Based on a true story, NISSAN's Newbie microfilm was released.
- Sep. 2016: 2017 INFINITI QX60 was launched officially.
- Sep. 2016: The inauguration of the IREDI flagship display centers in Kaohsiung and Taichung was held.
- Oct. 2016: NISSAN launched BIG TIIDA featuring a smart audio/video integration system in celebration of its top sales over the past decade.
- Oct. 2016: 2017 NISSAN ALL NEW LIVINA Flagship features an upgraded audio/video security system.
- Nov. 2016: The topic of NISSAN Innovation Design Competition was NISSAN Crossover.
- Dec. 2016: INFINITI Q60 was on display in Taipei Auto Show for the first time.

3. 2017 Operation Results:

- January 2017: NISSAN will offer maintenance services at Chinese New Year to ensure safe drives.
- January 2017: INFINITI Q30 is launched in 2017.
- February 2017: NISSAN released its brand-new brand image advertisement.
- March 2017: NISSAN NEW MARCH is launched at the amount of NT\$539,000.
- March 2017: INFINITI IREDI Flagship Exhibition Center launched brand-new Q60 at its grand opening in Hsinchu.
- April 2017: NISSAN Gangshan Flagship Exhibition Center is the world's first across NISSAN that obtains NREDI 2.1 certification.
- April 2017: NISSAN iTIIDA made its world premiere at the amount of NT\$659,000.
- May 2017: NISSAN provided a limited time offer for the celebration of its 60th anniversary.
- May 2017: INFINITI QX60 was awarded the Best 7-seater SUV.
- June 2017: More than 2000 NISSAN owners participated in handmade leather rings & beads making.
- July 2017: NISSAN X-TRAIL achieved the world's No.1 sales with advanced SUV safety equipment.
- July 2017: NISSAN JUKE was awarded the Best Compact SUV.
- July 2017: INFINITI series were displayed in 2017 Taipei International Autoshow.
- August 2017: 2017 NISSAN National Puzzle Challenge was organized.
- September 2017: NISSAN sponsored 2017 NISSAN ACTION ASIA X-TRAIL TAIWAN.
- October 2017: NISSAN offered iTIIDA SR to celebrate its 60th anniversary in Taiwan.
- November 2017: Pre-order for remodeled NISSAN SENTRA was provided with the limited number of additional offers.
- November 2017: INFINITI TAIWAN advocated the spirit of the brand ambassador STEPHEN CURRY and launched INFINITI Q50 (MY18).
- December 2017: NISSAN provided the limited time offer with two additional gifts.
- December 2017: NISSAN displayed 2020 Vision Gran Turismo and KICKS in 2018 Taipei International Autoshow.
- December 2017: NISSAN displayed INFINITI QX50 and initiated the pre-order for QX30 in 2018 Taipei International Autoshow.

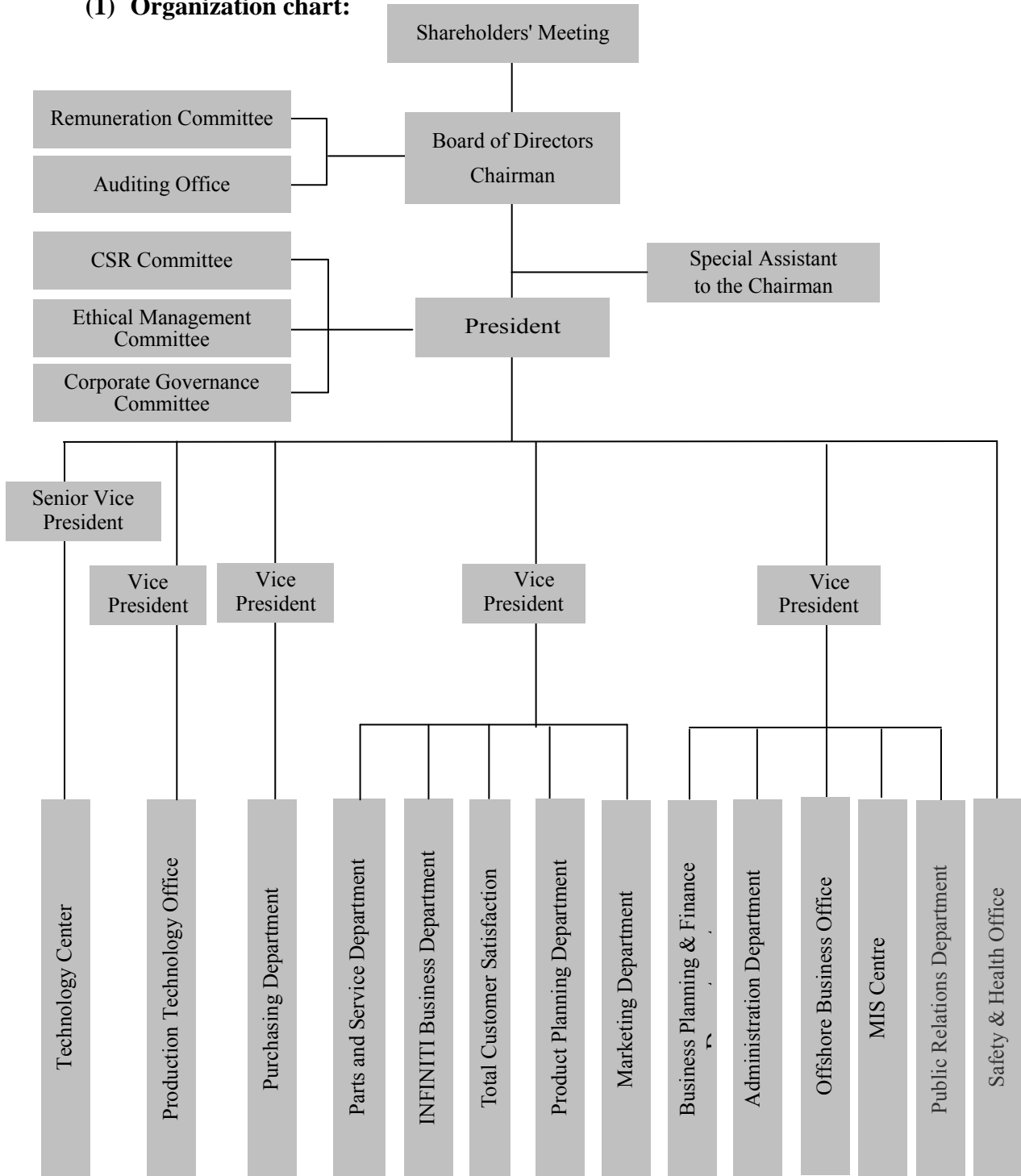
4. Others

1. Mergers & Acquisitions, invested companies and reconstructions in fiscal year 2017 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 2017 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 2017 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. Provide analysis data of Corporate Financial Meeting, Taxation relevant business and operation 3. Management of fund utilization. 4. Law, Stock Affair, Shareholders Meeting relevant business |
| 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 | Gender | 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 | Male | 2015. 6.30 | 3 | 2003. 10.1 | 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 | Male | 2015. 6.30 | 3 | 2003. 10.1 | 180,000,000* | 60.00*0.00 | 143,500,000* | 47.83*0.00 |
| Director | R.O.C | Yulon Motor Co., Ltd. Representative :Chen-Hsiang Yao | Male | 2015. 6.30 | 3 | 2013. 4.1 | 143,500,000* | 47.83*0.00 | 143,500,000* | 47.83*0.00 |

May 24, 2018

| 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 | Honorary Doctor of Commerce, University of Saint John, USA | Chairman, Yulon Motor Co., Ltd. Chairman, China Motor Corporation. Chairman, Tai-Yuen Textile Co., Ltd. Chairman, Hualing Motor Co., Ltd. Chairman, Hwa-chuan Auto Technology Center Co., Ltd. Chairman, LUXGEN Motor Co., Ltd. Chairman, Hui-Fong Motor Co., Ltd. Vice Chairman, Winsome Co., Ltd. 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 President, Yulon Motor Co., Ltd. Executive Vice President, Yulon Motor Co., Ltd. | 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, Winsome Co., Ltd. Director, Dongfeng Yulon Motor Co., Ltd. Please refer to the "Information on Affiliated Companies" for details. | Nil | Nil | Nil |
| 0 | 0.00 | 0 | 0.00 | Master of International Business Management, Curtin University of Technology Vice President, Yulon Motor Co., Ltd. Factory Director, Yulon Motor Co., Ltd. | Director and President, Yulon Motor Co., Ltd. Director, Taiwan Acceptance Corporation Director, Lexgen Motors Co., Ltd. Director, China Engine Corporation Please refer to the "Information on Affiliated Companies" for details. | Nil | Nil | Nil |

* which are personal own

| Title | Nationality or Place of Registration | Name | Gender | 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: Leman C.C. Lee | Male | 2017. 4.7 | 1.25 (Note) | 2017. 4.7 | 143,500,000 * | 47.83 *0.00 | 143,500,000 * | 47.83 *0.00 |
| Director | Japan | Nissan Motor Co., Ltd. Representative: Takashi NISHIBAYASHI | Male | 2015. 6.30 | 3 | 2011. 3.21 | 120,000,000 * | 40.00 *0.00 | 120,000,000 * | 40.00 *0.00 |
| Director | Japan | Nissan Motor Co., Ltd. Representative: Atsushi KUBO | Male | 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 OHORI | Male | 2015. 6.30 | 3 | 2014. 4.1 | 120,000,000 * | 40.00 *0.00 | 120,000,000 * | 40.00 *0.00 |
| Director | Japan | Nissan Motor Co., Ltd. Representative: Kenji SHIMOYAMA | Male | 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 | Male | 2015. 6.30 | 3 | 2015. 6.30 | 0 | 0.00 | 0 | 0.00 |

Note: Appointed on Apr. 7, 2017.

May 24, 2018

| 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 | National Taiwan University of Science and Technology Vice President, Yulon-Nissan Motor Co., Ltd. | Director, Taiwan Acceptance Corporation Director, Yuan Long Motor Co., Ltd. Director, Yu Chang Motor Co., Ltd. Director, Tian Wang Motor Co., Ltd. Director, Sin Jang Chang Corporation Director, Kaixing Insurance agent Co., Ltd Director, Tokio Marine Nawa Insurance Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation Director, Jetford, 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. | 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 Nissan Auto Finance Co., Ltd. | Nil | Nil | Nil |
| 0 | 0.00 | 0 | 0.00 | Bachelor of Political Science and Economics, Waseda University, Japan | General Manager of China Department, Nissan Motor Co., Ltd. | Nil | Nil | Nil |
| 0 | 0.00 | 0 | 0.00 | Master of Engineering, Faculty of Engineering, Musashi Institute of Technology, Japan | 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 | Independent Director and Remuneration Committee member of On-Bright Electronics Incorporated | Nil | Nil | Nil |

* which are personal own

| Title | Nationality or Place of Registration | Name | Gender | Elected (Sworn-in) Date | Term | First Elected Date | Shareholdings when Elected | | Current Shareholdings | |
|----------------------|--------------------------------------|---|--------|-------------------------|----------|--------------------|----------------------------|---------------|-----------------------|---------------|
| | | | | | | | Shares | Share Holding | Shares | Share Holding |
| Independent Director | R.O.C | Robert Mao | Male | 2015.06.30 | 3 | 2003.10.01 | 0 | 0.00 | 0 | 0.00 |
| Supervisor | R.O.C | Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li | Male | 2015.06.30 | 3 | 2012.07.01 | 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 | Male | 2015.06.30 | 3 | 2013.06.14 | 1,878,000* | 0.63*0.00 | 1,878,000* | 0.63*0.00 |
| Supervisor | Japan | Takahiko Ikushima | Male | 2017.06.26 | 1 (Note) | 2017.06.26 | 0 | 0.00 | 0 | 0.00 |

Note: Appointed on Jun. 26, 2017.

May 24, 2018

| 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 | Master of Management, Massachusetts Institute of Technology, U.S.A Master of Engineering, Cornell University, U.S.A | Director, Energy Recovery Inc. Director, Hon Hai Co., Ltd. | Nil | Nil | Nil |
| 0 | 0.00 | 0 | 0.00 | Member of New York State 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 Director, 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 | Independent Director, Simplo Technology Co., Ltd. Independent Director, PCL Technologies, Inc. Independent Director, Orient Pharma (OP) Co., Ltd. Supervisor, Otsuka Information Technology Corp. | Nil | Nil | Nil |
| 0 | 0.00 | 0 | 0.00 | Bachelor of Faculty of Economics, Rikkyo University, Japan | General Manager of Budget and Accounting Department, Financial Management Group, Nissan Motor Co., Ltd. | Nil | Nil | Nil |

* which are personal own

The Major Stockholders of Corporation Shareholders

May 24, 2018

| Names of Major Stockholders | The Major Stockholders of Corporation Shareholders |
|------------------------------|--|
| Yulon Motor Company Ltd. | <ol style="list-style-type: none"> 1. Tai Yuen Textile Co., Ltd., (18.11%) 2. China Motor Co., Ltd., (16.67%) 3. Kenneth K. T. Yen (10.18%) 4. Nanshan Life Insurance Co., Ltd. (3.7%) 5. Fan De Investment Co., Ltd. (1.58%) 6. Labor Insurance Fund (1.47%) 7. Management of Board Public Service Pension Fund (1.34%) 8. Mercuries Life Insurance Co., Ltd. (1.25%) 9. Yen Tjing-Ling Industrial Development Foundation(1.09%) 10. New Labor Retirement Fund(1.07%) |
| Nissan Motor Co., Ltd. | <ol style="list-style-type: none"> 1. Renault S.A.(43.40%) 2.The Chase Manhattan Bank, N.A. London Special Account No. 1(3.37%) 3. Japan Trustee Services Bank Ltd. (Trust account) (2.74%) 4. The Master Trust Bank of Japan (Trust account) (2.54%) 5. Japan Trustee Services Bank Ltd. (Trust account 9) (1.43%) 6. Nippon Life Insurance Company (1.28%) 7. Japan Trustee Services Bank Ltd. (Trust account 5) (1.03%) 8. JP Morgan Chase Bank 385632 (1.00%) 9. State Street Bank West Client - Treaty 505234 (0.81%) 10. Moxley and Co LLC (0.81%) |
| Wei Wen Investment Co., Ltd. | <ol style="list-style-type: none"> 1. Kenneth K. T. Yen (99.4%) 2. Le Wen Investment Co., Ltd. (0.10%) 3. Fan De Investment Co., Ltd. (0.10%) 4. Yu Xin Investment Co., Ltd. (0.10%) 5. Lilian Chen (0.10%) 6. Wei Tai Investment Co., Ltd.(0.10%) 7. Jing Yu Investment Co., Ltd. (0.10%) |

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

May 24, 2017

| Legal Person's Name | Shareholders of Natural persons |
|------------------------------|---|
| 1.Tai-Yuen Textile Co., Ltd. | <ol style="list-style-type: none"> 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. (3.64%) 7. Nanshian Life Insurance Co., Ltd. (1.27%) 8. Kenneth K. T. Yen (1.20%) 9. Citibank Norway investment trust account.(1.13%) 10.Taiwan Life Insurance Co., Ltd. (0.95%) |
| 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. Pao Huang Investment Co., Ltd. (0.05%) 9. Pao Hui Investment Co., Ltd. (0.05%) 10. Pao Yi Investment Co., Ltd. (0.05%) 11. Pao Ji Investment Co., Ltd. (0.05%) |
| 4.Fan De Xin Investment Co., Ltd. | 1. Wei Wen Investment Co., Ltd. (33.30%) 2. Le Wen Investment Co., Ltd. (33.30%) 3. Wei-Kung Chi (0.02%) 4. Jerry Chu (0.02%) |
| 5. Labor Insurance Fund | Non-juristic person, not applicable |
| 6 Management of Board Public Service Pension Fund | Non-juristic person, not applicable |
| 7. Mercuries Life Insurance Co., Ltd. | 1. Mercuries & Associates Holding Ltd (43.14%) 2. Shang Lin Investment Co., Ltd (6.11%) 3. Shu Ren Investment Co., Ltd (5.44%) 4. Mercuries Fu Bao Ltd (2.74%) 5. Labor Pension Fund (the New Fund) (1.63%) |
| 8. Yen Tjing-Ling Industrial Development Foundation | Not applicable |
| 9.New pension fund | Non-juristic person, not applicable |
| 10.Renault S.A. | Subject to local restrictions, not available |
| 11.The Chase Manhattan Bank, N.A. London Special AccountNo. 1 | Subject to local restrictions, not available |
| 12.Japan Trustee Services Bank Ltd. (Trust account) | Subject to local restrictions, not available |
| 13. The Master Trust Bank of Japan (Trust account) | Subject to local restrictions, not available |
| 14.Japan Trustee Services Bank Ltd. (Trust account 9) | Subject to local restrictions, not available |

| Legal Person's Name | Shareholders of Natural persons |
|--|--|
| 15.Nippon Life Insurance Company | Subject to local restrictions, not available |
| 16.Japan Trustee Services Bank Ltd. (Trust account 5) | Subject to local restrictions, not available |
| 17.JP Morgan Chase Bank 385632 | Subject to local restrictions, not available. |
| 18.State Street Bank West Client - Treaty 505234 | Subject to local restrictions, not available. |
| 19.Moxley and Co LLC | Subject to local restrictions, not available. |
| 20. Le Wen Investment Co., Ltd. | 1. Kenneth K. T. Yen (64.79%) 2. Wei Tai Investment Co., Ltd. (19.05%) 3. Wei Wen Investment Co., Ltd. (16.08%) 3. Fan De Investment Co., Ltd. (0.04%) 4. Wei-Kung Chi (0.02%) 5. Lilian Chen (0.02%) |
| 21. Yu Xin Investment Co., Ltd. | 1. Evans Co., Ltd. (99.96%) 2. Wei Tai Investment Co., Ltd. (0.01%) 3. Fan De Investment Co., Ltd. (0.01%) 4. Wei-Kung Chi (0.01%) |
| 22. Wei Tai Investment Co., Ltd. | 1. Kenneth K. T. Yen (99.9%) 2. Fan De Investment Co., Ltd. (0.04%) 3. Lilian Chen (0.02%) 4. Wei-Kung Chi (0.02%) 5. Jerry Chu (0.02%) |
| 23. Jing Yu Investment Co., Ltd... | 1. Evans Co., Ltd. (99.96%) 2. Fan De Investment Co., Ltd. (0.01%) 4. Wei-Kung Chi (0.01%) 5. Kuo-Rong Chen (0.01%) |

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) | | | | | | | | | | Diversification of Board members (Note 2) | | | | The number of other public companies that an independent director concurrently serves in | | |
|---|------------|---|---|---|--|---|---|---|---|---|---|---|---|----|---|--|---------------------|---------------------|--|--|---|
| | | 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 | Operational decision-making ability | Finance & accounting and legal expertise | Industrial know-how | Foreign nationality | | | |
| 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: Chen-Hsiang Yao | | | v | | | v | v | | | | | | | | v | | | v | | | |
| Yulon Motor Co., Ltd. Representative: Leman C.C. Lee | | | v | | | v | v | | | | | | | | v | | | v | | | |
| Nissan Motor Co., Ltd. Representative: Takashi NISHIBAYASHI | | | v | | | v | v | | | | | | | | v | v | v | v | v | | |
| Nissan Motor Co., Ltd. Representative: Atsushi KUBO | | | v | | | v | v | | | | | | | | | | | v | v | | |
| Nissan Motor Co., Ltd. Representative: Junichi OHORI | | | v | | | v | v | | | | | | | | | | | v | v | | |
| Nissan Motor Co., Ltd. Representative: Kenji SHIMOYAMA | | | v | | | v | v | | | | | | | | | | | v | v | | |
| Jin-Shun Wu | | v | v | | | v | v | v | v | v | v | v | v | v | v | v | v | | | | 1 |
| Robert Mao | | | v | | | v | v | v | v | v | v | v | v | v | v | v | | | | | |
| Wei Wen Investment Co., Ltd. Representative: Kwan-Tao Li | | v | v | | | 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 | v | v | v | v | v | | | | 3 |
| Takahiko IKUSHIMA | | | 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

Note 2: The composition of the Board of Directors follows the policy on diversification of Board members required by the Company's "Code of Practice for Corporate Governance," in hopes of benefiting from the diversified expertise of directors and supervisors and enabling the Board to perform its duties.

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

| Title | Nationality | Name | Gender | 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 | Leman C.C. Lee | Male | 2017.04.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Special Assistant to the Chairman | R.O.C | Kuo-Rong Chen | Male | 2003.11.1 | 5,000 | 0.00 | 0 | 0.00 | 0 | 0.00 |

May 24, 2018

| 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 |
| National Taiwan University of Science and Technology Vice President, Yulon-Nissan Motor Co., Ltd. | Director, Taiwan Acceptance Corporation Director, Yuan Long Motor Co., Ltd. Director, Yu Chang Motor Co., Ltd. Director, Tian Wang Motor Co., Ltd. Director, Sin Jang Chang Corporation Director, Kaixing Insurance agent Co., Ltd Director, Tokio Marine Nawa Insurance Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation Director, Jetford, 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. | Nil | Nil | Nil |
| NCTU Executive Master of Business Administration President, Yulon Motor Co., Ltd. Executive Vice President, Yulon Motor Co., Ltd. | 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, Winsome Co., Ltd. Director, Dongfeng Yulon Motor Co., Ltd. Please refer to the “Information on Affiliated Companies” for details. | Nil | Nil | Nil |

| Title | Nationality | Name | Gender | 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 | Male | 2014.4.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Vice President | Japan | Kenji SHIMOYAMA | Male | 2014.4.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Vice President | Japan | Mochizuki MASAHIRO | Male | 2017.4.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Vice President | R.O.C | Wen-Chuan Chung | Male | 2017.4.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Vice President | R.O.C | Joseph Hsiung | Male | 2017.5.15 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Senior General Manager | Japan | Nishii TARO | Male | 2018.5.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Tsan-Huang Lin | Male | 2009.2.15 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Yu-Chou Hsieh | Male | 2009.7.1 | 1,000 | 0.00 | 0 | 0.00 | 0 | 0.00 |

May 24, 2018

| 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, Japan | — | Nil | Nil | Nil |
| Bachelor of Engineering, Department of Mechanical Engineering, Kogakuin University, Japan | — | Nil | Nil | Nil |
| Bachelor of Mechanical Engineering, Department of Mechanical Engineering, Tokyo University of Science, Japan | — | Nil | Nil | Nil |
| 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 | Director, Yuan Long Motor Co., Ltd. Director, Hui Lian Motor Co., Ltd. Director, Yu Shin Motor Co., Ltd. Director, Yu Tang Motor Co. Ltd. Director, Yu Shin Motor Co., Ltd. Director, Chen Long Motor Co. Ltd. Director, Chen Long Co. Ltd. Director, Fengye Vehicle Rental Co., Ltd. | Nil | Nil | Nil |
| Department of Aeronautics and Astronautics, National Cheng Kung University Department of Management Science, National Chiao Tung University | Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Shenzhen Lan You Technology Co., Ltd. | Nil | Nil | Nil |
| MBA, Graduate School of Commerce, Waseda University, Japan | — | Nil | Nil | Nil |
| Department of Aerospace Engineering, Tamkang University | Director, Yueki Industrial Co., Ltd | Nil | Nil | Nil |
| Chung Cheng Institute of Technology National Defense University Department of Vehicle Engineering | — | Nil | Nil | Nil |

| Title | Nationality | Name | Gender | 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 |
| General Manager | R.O.C | Wen-Chi Mao | Male | 2010.12.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Wen-Chiang Shu | Male | 2011.05.18 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Dennis Chang | Male | 2012.10.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Chiung-Ming Chou | Male | 2013.05.17 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Chao-Yen Liang | Male | 2015.1.1 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Yen Chou | Male | 2016.4.15 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Jacky Lee | Male | 2016.11.16 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| General Manager | R.O.C | Jen-Chung Tu | Male | 2018.01.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Accounting Manager | R.O.C | Chen-Hua, Chi | Male | 2015.05.11 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |

May 24, 2018

| 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 Business Administration , National Cheng Kung University. | — | Nil | Nil | Nil |
| Department of Navigation, National Taiwan Ocean University | Director, Yu Shin Motor Co., Ltd | Nil | Nil | Nil |
| Department of Business Administration , Tunghai University | Director, Yu Chang Motor Co., Ltd Director, Yu Shin Motor Co., Ltd. Director, Yu Tang Motor Co. Ltd Director, Chen Long Motor Co. Ltd Director, Car-Plus Auto Leasing Co., Ltd. | Nil | Nil | Nil |
| Department of Mechanical Engineering, National United University | — | Nil | Nil | Nil |
| Department of Mechanical Engineering, National Chung Hsing University Master of High Level Management, Chiao Tung University | — | Nil | Nil | Nil |
| Master of International Business M anagement, Curtin University of Technology Mechanical Engineering, National Central University | Director, Yuan Long Motor Co., Ltd. Director, Yu Ming Motor Co., Ltd. Director, Singan Co. Ltd Director, Chen Long Motor Co. Ltd Director, Yu Shin Motor Co., Ltd | Nil | Nil | Nil |
| Master of Industrial Engineering and Engineering Management, National Tsing-Hua University | Director, Ding Long Motor Co., Ltd. Director, Yu Ming Motor Co., Ltd. Director, Qunmin Motor Co., Ltd. Director, Yumin Insurance broker Co., Ltd. | Nil | Nil | Nil |
| National Taiwan Institute of Technology, Taipei, Taiwan, R.O.C., B.A.in Mechanical Engineer | — | Nil | Nil | Nil |
| University of Idaho (USA) Master of Accountancy | — | Nil | Nil | Nil |

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

1. Director's Compensation

Dec. 31, 2017

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 Reinvestment Business Compensation is Received from Companies other than Subsidiaries | | | | | |
|----------------------|---|-----------------------|---|---|---|-------------------------------|---|--------------------------------|---|---|---|--|---|---|---|-------------------------------------|-------|---------------------------------------|-------|---------------------------------------|---|--|---|-------------|---|-------|-------|-----|
| | | Compensation (A) | | 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) | | | | | | | | |
| | | 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 | The Company | All the companies included in this consolidated statement | The Company | All the companies included in this consolidated statement | Cash | Stock | Cash | Stock | The Company | All the companies included in this consolidated statement | | | The Company | All the companies included in this consolidated statement | | | |
| 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: Chen-Hsiang Yao | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yulon Motor Co., Ltd. Representative: Leman C.C. Lee (Note 4) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yulon Motor Co., Ltd. Representative: Wen-Rong Tsay (Note 5) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Nissan Motor Co., Ltd. Representative: Takashi NISHIBAYASHI | 12,000 | 12,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0.19% | 0.19% | 18,198 | 18,198 | | | | | | | | | | | | | | | |
| Director | Nissan Motor Co., Ltd. Representative: Atsushi KUBO | | | | | | | | | | | Housing Rent 864 | Housing Rent 864 | | | | | | | | | | | | | | | |
| Director | Nissan Motor Co., Ltd. Representative: Junichi OHORI | | | | | | | | | | | Car Rental 3,276 | Car Rental 3,276 | 360 | 360 | 87 | 0 | 87 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.56% | 0.56% | Nil |
| Director | Nissan Motor Co., Ltd. Representative: Kenji SHIMOYAMA | | | | | | | | | | | Driver 0 | Driver 0 | | | | | | | | | | | | | | | |
| Independent director | Jin-Shun Wu | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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:360 NTD Thousand

Note 4: Appointed on Apr. 7, 2017

Note 5: Resigned on Apr. 7, 2017

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 | All the Companies in financial statement | The Company | All the Companies in financial statement |
| Less than NT 2,000,000 | Kenneth K.T. Yen 、 Kuo-Rong Chen 、 Leman C.C. Lee (Note 1) 、 Wen -Rong Tsay (Note 2) 、 Chen -Xiang Yao 、 Takashi Nishibayashi 、 Atsushi Kubo 、 Junichi Ohori 、 Kenji Shimoyama 、 Jin-Shun Wu 、 Robert Mao | Kenneth K.T. Yen 、 Kuo-Rong Chen 、 Leman C.C. Lee (Note 1) 、 Wen -Rong Tsay (Note 2) 、 Chen -Xiang Yao 、 Takashi Nishibayashi 、 Atsushi Kubo 、 Junichi Ohori 、 Kenji Shimoyama 、 Jin-Shun Wu 、 Robert Mao | Kuo-Rong Chen 、 Wen -Rong Tsay (Note 2) 、 Chen -Xiang Yao 、 Takashi Nishibayashi 、 Atsushi Kubo 、 Jin-Shun Wu 、 Robert Mao | Kuo-Rong Chen 、 Wen -Rong Tsay (Note 2) 、 Chen -Xiang Yao 、 Takashi Nishibayashi 、 Atsushi Kubo 、 Jin-Shun Wu 、 Robert Mao |
| NT2,000,000~NT5,000,000 | | | Junichi Ohori 、 Kenji Shimoyama | Junichi Ohori 、 Kenji Shimoyama |
| NT5,000,000~NT10,000,000 | | | Leman C.C. Lee (Note 1) | Leman C.C. Lee (Note 1) |
| NT10,000,000~NT15,000,000 | | | Kenneth K.T. Yen | Kenneth K.T. Yen |
| NT15,000,000~NT30,000,000 | | | | |
| NT30,000,000~NT50,000,000 | | | | |
| NT50,000,000~NT100,000,000 | | | | |
| More than NT100,000,000 | | | | |
| Total | 11 | 11 | 11 | 11 |

Note 4: Appointed on Apr. 7, 2017

Note 5: Resigned on Apr. 7, 2017

2.Compensation of supervisors

Dec. 31, 2017
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) | | Compensation (B) | | Business Execution Expense (C) | | | | |
| | | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | |
| Supervisor | Wei Wen Investment Co.,Ltd Representative: Kwan-Tao Li | 3,600 | 3,600 | 0 | 0 | 0 | 0 | 0.06% | 0.06% | 無 |
| Supervisor | Wei Wen Investment Co.,Ltd Representative: Tai-Ming Chen | | | | | | | | | |
| Supervisor | Takahiko IKUSHIMA (Note 1) Toru NAKANO (Note 2) | | | | | | | | | |

Note 1: Appointed on Jun. 26, 2017

Note 2: Resigned on Jun. 26, 2017

Compensation Range Table

| The Compensation Range for Supervisors of the Company | Number of Supervisors | |
|---|--|---|
| | Total Compensation Amount of A+B+C | |
| | The Company | All the Companies in financial statement |
| Less than NT 2,000,000 | Kwan-Tao Li · Tai-Ming Chen · Takahiko IKUSHIMA (Note 1) · Toru NAKANO(Note 2) | Kwan-Tao Li · Tai-Ming Chen · Takahiko IKUSHIMA (Note 1) · Toru NAKANO (Note 2) |
| 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 |

Note 1: Appointed on Jun. 26, 2017

Note 2: Resigned on Jun. 26, 2017

3: Compensation of the President and Senior Vice President

Dec. 31, 2017
Unit: NTD Thousand

| Title | Name | Salary (A) | | Pension (B) | | Reward and Special Allowance (C) | | Surplus Divided Employee Bonus (D) | | | | % 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 | | Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries | |
|-----------------------------------|-------------------------|-------------|--|-------------|--|----------------------------------|--|------------------------------------|-------|--|-------|---|--|---|--|--|--|---|-----|
| | | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | The Company | | All the Companies in financial statement | | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | The Company | All the Companies in financial statement | | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | | | | | | |
| President | Leman C.C. Lee (Note 1) | | | | | | | | | | | | | | | | | | |
| President | Wen -Rong Tsay (Note 2) | | | | | 3,356 | 3,356 | | | | | | | | | | | | |
| Special Assistant to the Chairman | Kuo-Rong Chen | 6,769 | 6,769 | 452 | 452 | 432 | 432 | 110 | 0 | 110 | 0 | 0.19% | 0.19% | 0 | 0 | 0 | 0 | | Nil |
| Senior Vice President | Atsushi Kubo | | | | | 878 | 878 | | | | | | | | | | | | |
| Senior Vice President | Leman C.C. Lee (Note 3) | | | | | 0 | 0 | | | | | | | | | | | | |

Note 1: Appointed on Apr. 1, 2017

Note 2: Resigned on Apr. 1, 2017

Note 3: Resigned on Apr. 1, 2017

Compensation Range Table

| The Compensation Range for General Managers and Vice General Managers of the Company | Number of President and Senior Vice President | |
|--|---|--|
| | The Company | All the Companies in financial statement |
| Less than NT 2,000,000 | Kuo-Rong Chen | Kuo-Rong Chen |
| NT2,000,000~NT5,000,000 | Atsushi Kubo、Wen-Rong Tsay | Atsushi Kubo、Wen-Rong Tsay |
| NT5,000,000~NT10,000,000 | Leman C.C. Lee | Leman C.C. Lee |
| 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 |

Note (1)Actual pensions account: 0 NTD Thousand (2)recognized pensions account:452 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, 2017
Unit: NTD thousand

| | Title(Note 1) | Name(Note 1) | Stock (Fair Market Value) | Cash | Total | % of Total Amount against Net Profit After Tax |
|-----------------------|---|---------------------------|---------------------------------|----------------|----------------|--|
| manager | President | Leman C.C. Lee(Note2) | - | 562 (Note1) | 562 (Note1) | 0.01% (Note1) |
| | President | Wen -Rong Tsay(Note3) | | | | |
| | Special Assistant to the Chairman | Kuo-Rong Chen | | | | |
| | Senior Vice President | Junichi OHORI | | | | |
| | Senior Vice Presiden | Leman C.C. Lee(Note4) | | | | |
| | Vice President | Kenji SHIMOYAMA | | | | |
| | Vice President | Mochizuki MASAHIRO(Note5) | | | | |
| | Vice President | Moritami MATSUMOTO(Note6) | | | | |
| | Vice President | Wen-Chuan Chung(Note7) | | | | |
| | Vice President | Joseph Hsiung(Note8) | | | | |
| | Senior General Manager | Yoshihiro TAKAHAMA | | | | |
| | Manager | Wen-Chuan Chung(Note9) | | | | |
| | Manager | Shun-Chi Tsai (Note10) | | | | |
| | Manager | Tsan-Huang Lin | | | | |
| | Manager | Yu-Chou Hsieh | | | | |
| | Manager | Wen-Chi Mao | | | | |
| | Manager | Wen-Chiang Shu | | | | |
| | Manager | Dennis Chang | | | | |
| | Manager | Chiung-Ming, Chou | | | | |
| | Manager | Chao-Yen Liang | | | | |
| Manager | Yen Chou | | | | | |
| Manager | Jacky Lee | | | | | |
| Accounting Manager | Chen-Hua Chi | | | | | |

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

Note 2 : Appointed on Apr 1, 2017.

Note 3 : Resigned on Apr 1, 2017.

Note 4 : Resigned on Apr 1, 2017.

Note 5 : Appointed on Apr 1, 2017.

Note 6 : Resigned on Apr 1, 2017.

Note 7 : Appointed on Apr 1, 2017.

Note 8 : Appointed on May 15,2017.

Note 9 : Resigned on Apr 1, 2017.

Note 10 : Resigned on Apr 7, 2017.

(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 | 2016 year | | | 2017 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 | 4,630,615 | 0.26% | 12,000 | 6,642,500 | 0.18% |
| Supervisor | 3,600 | 4,630,615 | 0.08% | 3,600 | 6,642,500 | 0.05% |
| President and Senior Vice President | 14,685 | 4,630,615 | 0.32% | 11,997 | 6,642,500 | 0.18% |
| Total | 30,285 | 4,630,615 | 0.65% | 27,597 | 6,642,500 | 0.42% |

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. In 2017, the directors and supervisors remuneration were compliance with the articles of incorporation and there is no variable remuneration.

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 7 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 | 1 | 86% | |
| Corporation Director Representative | Kuo-Rong Chen | 6 | 1 | 86% | |
| Corporation Director Representative | Chen-Hsiang Yao | 7 | 0 | 100% | |
| Corporation Director Representative | Leman C.C. Lee | 6 | 0 | 100% | Appointed on Apr 1, 2017. |
| Corporation Director Representative | Wen-Rong Tsay | 1 | 0 | 100% | Resigned on Apr 1, 2017. |
| Corporation Director | Nissan Motor Co., Ltd. | | | | |
| Corporation Director Representative | Takashi NISHIBAYASHI | 7 | 0 | 100% | |
| Corporation Director Representative | Atsushi KUBO | 6 | 1 | 86% | |
| Corporation Director Representative | Junichi OHORI | 7 | 0 | 100% | |
| Corporation Director Representative | Kenji SHIMOYAMA | 7 | 0 | 100% | |
| Independent Director | Jin-Shun Wu | 7 | 0 | 100% | |
| Independent Director | Robert Mao | 7 | 0 | 100% | |
| Corporation Supervisor | Wei Wen Investment Co., Ltd. | | | | |
| Corporation Supervisor Representative | Kwan-Tao Li | 6 | 1 | 86% | |
| Corporation Supervisor Representative | Tai-Ming Chen | 5 | 2 | 71% | |
| Supervisor | Takahiko IKUSHIMA | 3 | 0 | 100% | Appointed on June 26, 2017 |
| Supervisor | Toru NAKANO | 4 | 0 | 100% | Resigned on June 26, 2017. |

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:

| Board meeting date | Board meeting term | Summary of motions | Independent director's opinions | Response to the independent director's opinion |
|--------------------|----------------------------------|--|---------------------------------|--|
| March 27, 2017 | The 6th meeting of the 11th term | 1. Amendment to "Operational Procedures for Acquisition and Disposal of Assets" and related "Internal Control System". 2. Amendment to "Internal Audit Implementation Rules of Operational Procedures for Acquisition and Disposal of Assets". | Approved as proposed | To be executed in accordance with the resolution reached |
| May 12, 2017 | The 6th meeting of the 12th term | Approval to Review the Candidate List of Supervisor for 2017 Ordinary Shareholders' Meeting. | Approved as proposed | To be executed in accordance with the resolution reached |
| June 26, 2017 | The 6th meeting of the 13th term | Amendments to the Company's "Stocks Affair Internal Control Systems". | Approved as proposed | To be executed in accordance with the resolution reached |
| November 6, 2017 | The 6th meeting of the 15th term | To change the company's CPA and evaluation of new CPA's independence and competence. | Approved as proposed | To be executed in accordance with the resolution reached |
| March 26, 2018 | The 6th meeting of the 16th term | 1. Approval of "YNM Audit Committee Charter" and related Internal Control System and Audit Implementation Rules. 2. Amendment to "Regulations Governing Procedure for Board of Directors". 3. Approval of Amendment Company's "Internal Control System" and "Audit Implementation Rules" 4. Approval of an Election of Directors. | Approved as proposed | To be executed in accordance with the resolution reached |
| May 11, 2018 | The 6th meeting of the 17th term | 1. Election of the 7th directors . 2. The Lift on the Prohibition on 7th Directors from "Concurrently Act as a Director and/or Manager of another company". | Approved as proposed | To be executed in accordance with the resolution reached |

2. When directors avoid attending the discussions about proposals that involve conflicts of interests, the name of directors, the proposals, and the reasons for avoidance, and participation in voting shall be specified: The

Company has formulated the Rules of Procedures for Meetings of the Board of Directors, which specify that “the proposals involving conflicts of interests with directors or corporations which directors represent shall be explained in the meeting of the board of directors; if the proposals have a risk of damaging the interests of the Company, they shall be excluded from the discussion or voting, and the directors shall avoid attending the discussion or voting and are not allowed to vote on behalf of other directors”, and abided by the Rules accordingly.

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. The Company organized the Yulon Group Continuing Education for Directors and Supervisors of TWSE Listed Companies on July 6, 2016. The topic of the training is Exploring Corporate Governance and Sustainable Development through Legal Responsibility of Directors and Supervisors and Forensic Accounting.
 - (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. The latest performance evaluation of the board of directors was completed in January 2018. The self-evaluation of the board’s performance and the self-evaluation of the board members scored 3.89 points and 3.93 points (full score is 4 points) respectively; the above result and subsequent remedial measures were reported to the Company’s board of directors on March 26, 2018.
 - (5) To make sure that the Company’s management constitution responds to the recent issues of social concerns and the global trend of corporate governance, the Company has approved the second amendments to the Corporate Governance Best Practice Principles and the Ethical Corporate Management Best Practice Principles in the meeting of the board of directors on March 26, 2018. These two Principles have been published on the Company’s website and the Market Observation Post System.

(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 7 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 | 6 | 86% | |
| Natural Person Supervisor Representative | Tai-Ming Chen | 5 | 71% | |
| Supervisor | Takahiko IKUSIMA | 3 | 100% | Appointed on June 26, 2017 |
| Supervisor | Toru NAKANO | 4 | 100% | Resigned on June 26, 2017. |

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):

| Date | Object | Matter |
|------------------|--------------------------------|---|
| November 6, 2017 | CPA | 1. CPA explained the operations of existing audit process, introduction to audit team and independent CPA assessment in addition to explaining the statement without material and false matters and without material fraudulence. 2. The independent directors queried on IT audit matters while the CPA will describe the responsibility of the IT Team of the accounting firm for IT audit. The audit conducted once a year without discovery of material problems during the audit process. |
| | Manager of Internal Audit Dep. | 1. Audit result of 2017. 2. Audit plan in 2018. |

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 Company formulated the Corporate Governance Best Practice Principles in the meeting of the board of directors on August 4, 2014 based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The first amendment was approved by the board of directors on March 23, 2015, the second amendment was approved on December 19, 2016 and the third amendment was approved on March 26, 2018. The above Principle has also been published on the Market Observation Post System and the Company’s website. | The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left. |
| 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? | 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 has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left. |
| (2) Does the company actually control the main shareholders and the final control list of major shareholders of the company? | V | | 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.” | |
| (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 “Operational Procedures for Acquisition and Disposal of Assets,” “Operational Procedures for Making of Endorsements and Guarantees,” “Operational Procedures for Loaning of Funds to Other Parties,” “Operational Procedures for Handling Internal Material Information,” “Operational Procedures for Insider Trading | |

| 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 | |
| (4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to buy or sell securities? | V | | Prevention.” 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. 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 (e-mail, 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 | | According to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company has specified in its Corporate Governance Best Practice Principles that the board of directors shall be equipped with diverse capacities, including but not limited to basic requirements (such as age and nationality) and professional knowledge and skills (such as specialty and industrial experience). Currently, incumbent directors and supervisors of the Company are equipped with diverse capacities, such as Kenneth K.T. Yen, Kuo-Rong Chen, Leman C.C. Lee, Chen-Hsiang Yao, Takashi NISHIBAYASHI, Atsushi KUBO, Junichi OHORI, and Kenji SHIMOYAMA have the skills in operational judgment, business management, industrial knowledge, crisis management. Jin-Shun Wu, Kwan-Tao Li, and Tai-Ming Chen have the skills in finance and accounting, law, information technology, leadership and decision making. Several directors and supervisors are from foreign countries. Such a board of directors combining different nationalities, perspectives, and cultural backgrounds may provide multi-oriented advice for the Company. | 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 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. The latest result of the evaluation of the board's performance (2017) is as follows:</p> |

| 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 | |
| (4) Does the company routinely assess the independence of attesting CPA? | V | | <p>1. The overall self-evaluation of the board's performance is 3.89 points (full score is 4.00 points).</p> <p>2. The overall self-evaluation of the board members is 3.93 points (full score is 4.00 points).</p> <p>The details of the above performance evaluation and subsequent remedial measures have been reported to the board of directors on March 26, 2018.</p> <p>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 (Note 2) 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.</p> | |
| 4. Have the listed/OTC companies had the full-time (part-time) corporate governance department or personnel designated to manage the corporate governance related matters (including but not limited to providing directors and supervisors with the data needed for business operation, arranging the board meeting and shareholders' meeting related matters lawfully, handling company registration and change registration, preparing the minutes of board meeting and shareholders' meeting, etc.)? | V | | <p>The unit in charge of corporate governance is Business Planning and Finance Department, whose duties include meetings of the board of directors and shareholders' meetings, business registration and changes in registration, and establishment and improvement of corporate governance. Business Planning and Finance Department also works with related units to promote the corporate governance and enhances the weaknesses identified in the evaluation of the board's performance and the corporate governance assessment.</p> <p>This year, the Company will continuously facilitate the interaction with foreign shareholders, foreign investors and stakeholders by increasing and deepening the disclosures on the Company's Chinese and English website, in addition to performing duties in accordance with related operating laws and regulations.</p> | 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 | Summary and Description | |
| 5. 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 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. | The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left. |
| 6. Does the company commission professional registrar for handling of shareholder meeting affairs? | | V | Based on the operational considerations, the Company handles the stock affairs by itself. The Company also formulated the rules of implementing the internal control and the internal audit of stock affairs to make sure that the shareholders' meeting is held legally, safely, and effectively. | The Company designates the shareholders' service office in order to handle the information of the list of major shareholders and beneficial owners of these major shareholders. |
| 7. 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. (http://new.nissan.com.tw/nissan/) | The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left. |
| (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). In addition, the Company also has disclosed the names and contact details of the spokesperson and the active spokesperson to substantiate the spokesman system in order to meet the communication needs of the various stakeholders. | |

| 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 | |
| 8. 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>1. Employee benefits and care: In addition to building a Yulon community in Sanyi, Miaoli, the Company has worked with the Hsinchu Lifeline Association to implement the employee assistance program (EAP) and provide a professional and confidential channel of consultancy for employees since 2015. The Company also improved the employee satisfaction and the partnership between the Company and employees through labor meetings, e-publications, and seminars. For more information, please refer to V. Business Review V. Labor Relations of the Annual Report.</p> <p>2. Relationship with investors and stakeholders: In addition to setting up the spokesperson and the unit in charge of stock affairs, the Company also posts important information in Chinese and English on the Market Observation Post System. The Chinese and English website was also established to provide investors and stakeholders at home and abroad with the fair access to the disclosures. Besides, the Company set up an area for investors on the website to disclose the related contact windows, which are responsible to have a thorough understanding of and respond to the major issues of concern.</p> <p>3. Relationship with suppliers: As a member of the society, the Company continuously pays close attention to environmental protection, safety and health, and labor rights, values the sustainable relationship with suppliers, and exerts its influence on suppliers to set up the guidelines for sustainable development and organize related activities, including management policy, code of conduct, evaluation, guidance, and performance management. The above principles were also published on the Company's website. The Regulations Governing Supplier Management, collaboration meetings, and training programs are also channels of communication between the Company and suppliers.</p> | 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 | |
| | | <p>4. Advanced study and liability insurance for directors and supervisors To strengthen the functions of the board members, Yulon Group organizes internal training programs every year on a regular basis; the latest training was held on August 9, 2017 and the topic is Exploring Corporate Governance and Sustainable Development through Legal Responsibility of Directors and Supervisors and Forensic Accounting. The details of training programs attended or hosted by the Company's directors and supervisors will be disclosed on Market Observation Post System from time to time. In addition, the Company also purchased the liability insurance for all directors and supervisors at the estimated amount of US\$135 million (exchange rate: 29.76 on December 29, 2017).</p> <p>5. Operation of the risk management policy and risk measurement standards: For the detailed information, please refer to Section 6 Risk Management and Assessment in Chapter 7 of the Annual Report.</p> <p>6. Operation of the consumer/customer protection policy: The Company set up the toll-free customer service hotline for 24 hours. Through the Speed-up One Stop (SOS) solution, consumer service personnel can promptly solve customers' problems from answers to phones, personnel dispatch, progress follow-up, subsequent handling, to post-accident care. In addition, customers may give their feedback through the following channels: NISSAN Care APP, NISSAN and INFINITI websites, and satisfaction telephone interview and survey from time to time.</p> | |
| 9. Please explain the improvements made based on the latest Corporate Governance Evaluation published by Taiwan Stock Exchange Corporate Governance Center and propose priorities and remedial measures to be taken (only filled by those participating in the evaluation). | V | The term of the incumbent members of the board of directors will expire in 2018. To strengthen the structure of corporate governance, the Company will add seats of independent directors and establish the Audit Committee when reelecting the members of the board of directors in the 2018 shareholders' meeting. | According to the regulations of the competent authorities, the Audit Committee will be established upon expiration of the term of the incumbent members of the board of directors in 2018. |

Note1 : Provide description on the summary and description column regardless of checking on "yes" or "no" for the operations.

Note2 :

Accountant Independence Evaluation Checklist –Wan-I Liao & Chien-Hsin Hsieh

Date: July 10, 2017

| Evaluation Items | Yes / NO |
|---|-----------------|
| 1.Neither A member of the audit team nor their family relatives have direct or indirect material financial interest in the Company. | No |
| 2.No borrowing, lending, or guarantee relation exists between the Company, its Directors or Supervisors and A member of the audit team or their family relatives (except for commercial loans from financial institutions). | No |
| 3.No close business relation exists between the Accounting Firm or A member of the audit team and the Company or its affiliates. | No |
| 4.No potential employment relationship exists currently between A member of the audit team and the Company. | No |
| 5.Within the past two years, none of No potential employment relationship exists currently between A member of the audit team and the Company. have acted as the Company's Director, Supervisor, or any employee who has material influence over audit cases. | No |
| 6. 1) The Company shall pay the Accountant a fixed audit fee, not in the form of contingent fee. 2) No due payments exists that may lead to influence on the auditor independence. | Yes No |
| 7.All of the non audit services provided by the Accounting Firm to the Company and its affiliates, including Tax Returns Assessment and Certification, and consultant services on accounting, tax issues and other laws and regulations etc., has no direct influence on any important accounting subject in the audit cases, and does not involve the Company's management, make decisions for the Company or affect the Company's independence. | No |
| 8.No member of the Audit Team is appointed as defender for the Company's position or opinions or acts as a mediator between the Company and a conflicting third party. | No |
| 9.Upon appointment this year, the accountant shall have served for the Company for not exceeding seven years. | No |
| 10.No member of the Audit Team is a relative of the Directors, Supervisors, Managers, or any employee of the Company who has material influence on the audit case. | No |
| 11.No valuable gift has been given by any Director, Supervisor, or Manager of the Company to any member of the Audit Team. | No |
| 12.None of the Directors, Supervisors, Managers, or any employees of the Company who has material influence on the audit case retired from or ceased services in the Accounting Firm within one year. | No |
| 13.None of the independent Directors of the Company have worked in the Accounting Firm during his or her act as Director or within two years prior to such appointment. No member of the Company's Remuneration Committee is in the profession of providing business, legal, financial, accounting or other kind of services or consultation within two years prior to such appointment. | No |

The above lists have been evaluated where no exceptional case is found.

Evaluated by : Yulon Nissan Motor Business Planning & Finance Dept.

Accountant Independence Evaluation Checklist –Robert Yu

Date: October 11, 2017

| Evaluation Items | Yes / NO |
|--|-----------|
| 1. Neither A member of the audit team nor their family relatives have direct or indirect material financial interest in the Company. | No |
| 2. No borrowing, lending, or guarantee relation exists between the Company, its Directors or Supervisors and A member of the audit team or their family relatives (except for commercial loans from financial institutions). | No |
| 3. No close business relation exists between the Accounting Firm or A member of the audit team and the Company or its affiliates. | No |
| 4. No potential employment relationship exists currently between A member of the audit team and the Company. | No |
| 5. Within the past two years, none of No potential employment relationship exists currently between A member of the audit team and the Company. have acted as the Company’s Director, Supervisor, or any employee who has material influence over audit cases. | No |
| 6. 1) The Company shall pay the Accountant a fixed audit fee, not in the form of contingent fee. 2) No due payments exists that may lead to influence on the auditor independence. | Yes No |
| 7. All of the non audit services provided by the Accounting Firm to the Company and its affiliates, including Tax Returns Assessment and Certification, and consultant services on accounting, tax issues and other laws and regulations etc., has no direct influence on any important accounting subject in the audit cases, and does not involve the Company’s management, make decisions for the Company or affect the Company’s independence. | No |
| 8. No member of the Audit Team is appointed as defender for the Company’s position or opinions or acts as a mediator between the Company and a conflicting third party. | No |
| 9. Upon appointment this year, the accountant shall have served for the Company for not exceeding seven years. | No |
| 10. No member of the Audit Team is a relative of the Directors, Supervisors, Managers, or any employee of the Company who has material influence on the audit case. | No |
| 11. No valuable gift has been given by any Director, Supervisor, or Manager of the Company to any member of the Audit Team. | No |
| 12. None of the Directors, Supervisors, Managers, or any employees of the Company who has material influence on the audit case retired from or ceased services in the Accounting Firm within one year. | No |
| 13. None of the independent Directors of the Company have worked in the Accounting Firm during his or her act as Director or within two years prior to such appointment. No member of the Company’s Remuneration Committee is in the profession of providing business, legal, financial, accounting or other kind of services or consultation within two years prior to such appointment. | No |

The above lists have been evaluated where no exceptional case is found.

Evaluated by : Yulon Nissan Motor Business Planning & Finance Dept.

(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 | NOTE (Note 3) |
|--|--|---|--|-----------------|---|---|---|---|---|---|---|---|------------------|
| | 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 | | |
| Independent Director Jin-Shun Wu | | V | V | V | V | V | V | V | V | V | V | 1 | |
| Independent Director Robert Mao | | | V | V | V | V | V | V | V | V | V | 0 | |
| Other Yun-Hua Yang | V | V | | V | V | V | V | V | V | V | V | 1 | |

Note 1: Please specify the identity of director, independent director, or others.

Note 2: If the respective member meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark (v) in the blank space under the code representing the respective condition.

- (1) Not an employee of the Company or its affiliated companies.
- (2) Not a director/supervisor of the Company or its affiliated companies, unless he/she serves as an independent director of the Company or its parent company or a subsidiary of the Company in accordance with this law or local law.
- (3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.
- (4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the third degree of consanguinity of any person indicated in the foregoing three categories.
- (5) The Company or a director, supervisor, or employee of the top-five institutional shareholders.
- (6) Not a director, supervisor, manager, or an institutional shareholder with more than 5% shareholding of a specific company or an institution that has conducted finance or business transactions with the Company.
- (7) Not a professional, sole proprietorship profit-seeking enterprise, or partnership that provides commercial, legal, financial, or accounting service to the Company or to any affiliate of the Company; not a owner, partner, director, supervisor, or manager of a company or an institution that provides commercial, legal, financial, or accounting service to the Company or to any affiliate of the Company; or not the spouse of any of the above persons.
- (8) Not subject to any condition under Article 30 of the Company Law.

Note 3: If member identity is director, please explain if the identity conforms to the provision prescribed in paragraph 5, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

(2) Operational Status of Remuneration Committee :

1. There are 3 members in the Remuneration Committee.
2. Term of Committee Members: The term for third Salary Remuneration Committee was expired on June 29, 2018 .The third Salary Remuneration Committees held 3 meetings (A) ,the eligibility of committee members and the 2017 attendance are outlined below:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person %(B/A) (Note) | Notes |
|--------|--------------|--------------------------|----------|---|-------|
| Chair | Jin-Shun Wu | 3 | 0 | 100% | |
| Member | Robert Mao | 2 | 0 | 67% | |
| Member | Yun-Hua Yang | 3 | 0 | 100% | |

Annotation:

1. In case the Board of Directors does not agree to adopt or correct suggestions proposed by Salary Remuneration Committee, the Board of Directors shall describe the date and session of Board of Director meeting, content of proposition, results of BOD resolution as well as company handling on comments from Salary Remuneration Committee (in case the BOD adopts the salary remuneration better than the suggestions proposed by the Salary Remuneration Committee, describe the discrepancy and reason): None.
2. In case members oppose to hold conservation opinions on the matters resolved by the Salary Remuneration Committee with records or written statement, describe the date and session of Salary Remuneration Committee, content of proposition, all member opinions and handling of member opinion: None.

Note :

- (1) In case members of Salary Remuneration Committee resigns before the end of the year, remark the date of resignation on the remark column while the actual attendance rate (%) will be calculated according to the number of meeting sessions and actual number of attendances during the resigned member's term at the Salary Remuneration Committee.
- (2) In case of reelection held for Salary Remuneration Committee prior to the end of the year, fill out the members of the new and former members of Salary Remuneration Committee and mark the members on the remark column as the former, new, re-elected, and date of re-election. The actual attendance rate (%) will be calculated according to the number of meeting sessions and actual number of attendances during the resigned member's term at the Salary Remuneration Committee.

(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 | |
| <p>1. Implementation of corporate governance</p> <p>(1) Does the company develop corporate social responsibility policy or system and review the effectiveness of implementation?</p> | V | | <p>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. The Company's Total donation amount in 2017 was NT\$ 4,488,525, and the receivers included Automobile Safety Association and Taipei City Environmental Protection Department.</p> | <p>In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p> |
| <p>(2) Does the company routinely organize social responsibility education training?</p> | V | | <p>Organizing different corporate social responsibility education training from time to time.</p> | |
| <p>(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?</p> | V | | <p>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.</p> | |
| <p>(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?</p> | V | | <p>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> | |

| Evaluation Items | Operations | | | Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons |
|--|------------|----|---|--|
| | Yes | No | Summary and Description | |
| <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 | | <p>1. Establishing environmental safety official organization in charge of promotion and advocacy of various energy-saving policies to upgrade the resource utilization efficiency.</p> <p>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.</p> <p>1) The vehicle recovery rate has far exceeded the standard (80%) and reached 92.7%.</p> <p>2) Vehicle recovering and reuse rate has far exceeded the standard (85%) and reached 95.0%.</p> <p>3) Restriction on the use of four environmentally hazardous heavy metals, including lead, mercury, cadmium, and hexavalent chromium.</p> | In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies. |
| <p>(2) Does the company establish proper environmental management system in accordance with its characteristics of industry?</p> | V | | <p>Established environmental management system in April 2015 to promote relevant environmental management policies. The Company has passed the ISO 14001 certification in Nov. 2015</p> | |
| <p>(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 emission reduction, and greenhouse gas reduction?</p> | V | | <p>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. The result of 2016 inventory is 1,329.01 metric tons of CO₂e/year. The result of 2017 inventory is 1317.9 metric tons of CO₂e/year.</p> | |

| Evaluation Items | Operations | | | Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons |
|---|-------------------------------------|----|--|---|
| | Yes | No | Summary and Description | |
| | | | <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 | |
| <p>1. Develop ethical management policy and program</p> <p>(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?</p> | V | | <p>To declare the resolve to fulfill the ethical corporate management, the Company has established the Ethical Corporate Management Best Practice Principles on August 4, 2014. The first and the second amendments were approved in the meetings of the board of directors on March 23, 2015 and March 26, 2018, respectively. The above Principles were disclosed on the Market Observation Post System and the Company’s 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.</p> | <p>Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.</p> |
| <p>(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?</p> <p>(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?</p> | V | V | <p>The Company set up the Work Rules, the Procedures for Handling Internal Major Information, the Procedures for Preventing Insider Trading, the Regulations Governing Management Review, and the Regulations Governing Reporting of Sexual Harassment to prohibit employees from engaging in fraudulence, misappropriating public funds, and destroying gender equality in the workplace. Once violations are identified and verified to be true, the Company will make a claim against employees and their guarantors according to related regulations.</p> <p>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</p> | |

| 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 | |
| | | | 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. (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 V | | In addition to having the contracts entered into with trading partners reviewed by professional lawyers, the Company also sets up the provisions of ethical corporate management in these contracts to prevent both parties from bribery and other dishonest behavior. Once violations are verified to be true, the Company will terminate or rescind the contracts and request damages accordingly. The Board of Directors shall appoint the person in charge of the corporate business planning and financial department as the promotional department for corporate integrity management to promote integrity management related matters in addition to collaborate with relevant department for the formulation of prevention solutions. Such solutions will be included in the matters of BOD report and shall be routinely reported to the BOD for the annual execution status (report at least once a year). | Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left. |
| (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. | |

| 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 | |
| (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. There are 400 employee finished the Nissan antibribery and Export control online course which issued on April 2017. | 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 develop investigation standard operation process and relevant confidential mechanism for accepting reported matters? | V | | To implement the regulations specified in Article 23 of the Ethical Corporate Management Best Practice Principles, the Company set up the independent reporting mailbox as well as the procedures for handling reported cases. The above reporting mailbox was also disclosed on the Company's website. In case of a violation of ethical conduct in a serious manner, the Company shall | |

| 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 | |
| | | | dismiss or lay off the employees according to related laws or the Company's personnel regulations. | |
| (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 | | In addition to disclosing the full content of the Ethical Corporate Management Best Practice Principles on the Company's website and the Market Observation Post System, the Company also reports the implementation and the result to the board of directors every year on a regular basis and publishes such information on the Company's website from time to time. | 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 established the Ethical Corporate Management Best Practice Principles, which were approved in the meeting of the board of directors on August 4, 2014, based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. The first and the second amendments were approved in the meetings of the board of directors on March 23, 2015 and March 26, 2018, respectively. | | | | |

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 26, 2018

Yulon Nissan Motor Company (Yulon Nissan) has conducted a self- assessment of internal control for the period of January 1, 2017 to December 31, 2017. 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 26 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: Leman C.C. Lee

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 2017 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 2017 and prior to the publication date of annual report

| Title of Meeting | Date of Meeting | Important Resolutions |
|----------------------|-----------------|---|
| Board of Directors | Mar. 27, 2017 | <ol style="list-style-type: none"> 1. Approval of the 2016 Employee Compensation Distribution. 2. Recognition of 2016 Operating Report and Financial Statements. 3. Approval of the YNM "2016 Internal Control System Statement". 4. Approval of the amendment to the management of "Operational Procedures for Acquisition and Disposal of Assets". 5. Approval of the amendment to the Internal Audit Implementation Rules of Operational Procedures for Acquisition and Disposal of Assets. 6. Approve to hold the 2017 Annual Shareholders' Meeting. 7. Approval of the managerial personnel's discharge and assignment. |
| Board of Directors | Apr. 10, 2017 | <ol style="list-style-type: none"> 1. Approval of the By-election of the supervisor 2. Approve to Add the proposal of 2017 shareholders' meeting. |
| Board of Directors | May 12 2017 | <ol style="list-style-type: none"> 1. Approval of the Company's surplus distribution proposal for fiscal year 2016 each stock is issued with a total of NTD 22. 2. Approve to Review the Candidate List of Supervisor for 2017 Ordinary Shareholders' Meeting. 3. Approve the 2017 Operational Objectives. 4. Approval of discharge and assignment the representative in Yulon Nissan Taipei branch. 5. Approval of Add the proposal of 2017 shareholders' meeting. |
| Board of Directors | May 16 2017 | <ol style="list-style-type: none"> 1. Approval of amendment to "Articles of Incorporation". 2. Approval of amendment to "Rules of Directors and Supervisors Election". 3. Approval of Add the proposal of 2017 shareholders' meeting. |
| Shareholders Meeting | Jun 26 2017 | <ol style="list-style-type: none"> 1. Approve to acknowledge the Company's final statement of fiscal year 2016 2. Approval of the Company's surplus distribution proposal for fiscal year 2016 each stock is issued with a total of NTD 22.(Note 1) 3. Approval of amendment to "Articles of Incorporation". (Note 2) 4. Approval of amendment to " Rules of Directors and Supervisors Election" (Note 3). 5. Approval of amendment to " Operational Procedures for Acquisition and Disposal of Assets" (Note 4). |
| Board of Directors | Jun 26 2017 | <ol style="list-style-type: none"> 1. Approval of the target date for distributing 2016 cash dividend. 2. Amendment to "Stocks Affair Internal Control Systems". 3. Amendment to "Stocks Affair Internal Audit Implementation Rules" |
| Board of Directors | Agu. 7, 2017 | <ol style="list-style-type: none"> 1. Evaluation of CPA independence and competency 2. Release the prohibition on managerial personnel from act as a managerial personnel of another company |
| Board of Directors | Nov. 6, 2017 | <ol style="list-style-type: none"> 1. Approval of the changing of the company's CPA and evaluation of new CPA's independence and competence. 2. Approval of the remuneration increase of managerial officer. 3. Approval of "Annual Audit Plan 2018". 4. Approval of the amendment to "Regulations Governing Procedure for Board of Directors" |

| Title of Meeting | Date of Meeting | Important Resolutions |
|--------------------|-----------------|--|
| Board of Directors | Mar. 26, 2018 | 1.Approval of 2017 Employee Compensation Distribution 2.Approval of 2017 Operating Report and Financial Statements 3.Approval of YNM "2017 Internal Control System Statement" 4.Approval of "YNM Audit Committee Charter" and related Internal Control System and Audit Implementation Rules. 5.Amendment to "Regulations Governing Procedure for Board of Directors". 6.Approval of amendment the "Internal Control System" and "Audit Implementation Rules" 7.Approval of an Election of Directors. 8.Convention of 2018 Shareholders' Meeting. |
| Board of Directors | May 11, 2018 | 1.Approval of the Company's surplus distribution proposal for fiscal year 2017 each stock is issued with a total of NTD 20. 2.Approval of distribution by cash from legal reserve, each stock is issued with a total of NTD 1. 3.Addition of The Proposal " Approval of distribution by cash from legal reserve" to 2018 Ordinary Shareholders' Meeting Agenda. 4.Approve the 2018 Operational Objectives. 5.Approve to Review the Candidate List of Directoes for 2018 Ordinary Shareholders' Meeting. 6.The Lift on the Prohibition on 7th Directors from "Concurrently Act as a Director and/or Manager of another company". 7.Release the prohibition on managerial personnel from acting as a managerial personnel of another company |

Major Resolutions of Shareholders' Meeting and Implementation Status

Note (1) Recognized the company 2016 surplus distribution proposal and each share is distributed with cash dividend of NT22.

Execution: August 29, 2017 was assigned as the target date while September 20, 2017 was assigned as the distribution date.

(2) Approval of amendment to " Articles of Incorporation"

Execution: Approved by the Ministry of Economic Affairs with registration on August 1, 2017 in addition to making announcement in the company website on June 26, 2017.

(3) Approval of amendment to " Rules of Directors and Supervisors Election"

Execution: According to the rules execution and making announcement in the company website on June 26, 2017.

(4) Approval of amendment to " Operational Procedures for Acquisition and Disposal of Assets".

Execution: According to the rules execution and making announcement in the company website on June 26, 2017.

(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 2017 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 2017 and prior to the Publication Date of the Annual Report :

Consideration of President Wen-Rong Tsay's mission in Yulon Nissan Motor has been completed, Yulon Motor Company intends to reassign him from the President position. According to the discharge mentioned above, the job position of President is to be promoted by the incumbent SVP Leman C.C. Lee and valid from April 1st, 2017.

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 | 2017.01.01-2017.09.30 | |
| Deloitte & Touche CPA Firm | Wan-Yi Liao | Robert Yu | 2017.10.01-2017.12.31 | |

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 | 9,600 | | | | | | 2017.01.01-2017.12.31 | Tax service |
| | Chien-Hsin Hsieh | | | | | 695 | 695 | 2017.01.01-2017.09.30 | |
| | Robert Yu | | | | | | | 2017.10.01-2017.12.31 | |

(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:

| | | | |
|--|---|-----|------------------------------------|
| Date of Change | November 6, 2017 | | |
| Reasons and Explanation | The former CPAs in charge of the Company's 2017 annual financial statements were Wan-Yi Liao and Chien-Hsin Hsieh of Deloitte & Touche. Due to the firm's internal work arrangements and schedules, the successive CPAs Wan-Yi Liao and Robert Yu were appointed to take over the 2017 annual financial statements. | | |
| Specify whether the appointment is terminated or unaccepted by the Client or CPA | Related parties | CPA | Client |
| | Status | NA | NA |
| | Appointment terminated voluntarily | NA | NA |
| | Appointment rejected (discontinued) | NA | NA |
| Opinion and reason for any audit report other than unqualified opinion in the last two years | None | | |
| Any disagreement with the issuer | Yes | | Accounting principles or practices |
| | | | Disclosure of financial statements |
| | | | Scope or steps of audit |
| | | | Others |
| | None | v | |
| Remarks | NA | | |
| Other Disclosures (Previous CPA's response to the items in Article 10.5.2.3 of the "Criteria Governing Information to be Published in Annual Reports of Public Companies") | NA | | |

(2) Information of the Successive CPAs:

| | |
|---|---|
| CPA firms | Deloitte & Touche CPA Firm |
| CPA's Name | Wan-Yi Liao & Robert Yu |
| Appointed Date | Passed by Board of Director on November 6, 2017 |
| Consultations and results about accounting treatments or accounting principles for a specific transaction and the possible opinion on the financial report prior to the appointment of the successive CPA | NA |
| The successive CPA's written opinion on disagreements with the former CPA | NA |

(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 2017 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 2017 | | Current Fiscal Year and before May 24, 2018 | |
|----------------------|---|--|---|--|---|
| | | 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: Chen-Hsiang Yao | - | - | - | - |
| Director | Yulon Motor Co., Ltd. Representative: Leman C.C. Lee (Note 1) | - | - | - | - |
| Director | Yulon Motor Co., Ltd. Representative: Wen-Rong Tsai (Note 2) | - | - | - | - |
| 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 OHORI | - | - | - | - |
| Director | Nissan Motor Co., Ltd. Representative: Kenji SHIMOYAMA | - | - | - | - |
| Independent Director | Jin-Shun Wu | | | | |

| Title | Name | Fiscal year 2017 | | Current Fiscal Year and before May 24, 2018 | |
|-----------------------------------|--|--|---|--|---|
| | | 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 | Robert Mao | - | - | - | - |
| 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 | - | - | - | - |
| Supervisor | Takahiko IKUHIMA (Note 3) | - | - | - | - |
| Supervisor | Toru NAKANO(Note 4) | - | - | - | - |
| President | Leman C.C. Lee (Note 5) | - | - | - | - |
| President | Wen-Rong Tsai(Note 6) | - | - | - | - |
| Special Assistant to the Chairman | Kuo-Rong Chen | - | - | - | - |
| Senior Vice President | Junichi OHORI | - | - | - | - |
| Senior Vice President | Leman C.C. Lee(Note 7) | - | - | - | - |
| Vice President | Mochizuki MASAHIRO (Note 8) | - | - | - | - |
| Vice President | Moritami MATSUMOTO (Note 9) | - | - | - | - |
| Vice President | Kenju SHIMOYAMA | - | - | - | - |
| Vice President | Wen-Chuan Chung (Note 10) | - | - | - | - |
| Vice President | Joseph Hsiung(Note 11) | - | - | - | - |
| Senior General Manager | NISHII TARO (Note 12) | - | - | - | - |
| Senior General Manager | Yoshihiro TAKAHAMA(Note 13) | - | - | - | - |
| Manager | Wen-Chuan Chung (Note 14) | - | - | - | - |
| Manager | Shun-Chi Tsai(Note 15) | - | - | - | - |
| Manager | Tsan-Huang Lin | - | - | - | - |
| Manager | Yu-Chou Hsieh | - | - | - | - |
| Manager | Wen-Chi Mao | - | - | - | - |
| Manager | Wen-Chiang Shu | - | - | - | - |
| Manager | Dennis Chang | - | - | - | - |
| Manager | Chiung-Ming, Chou | - | - | - | - |
| Manager | Chao-Yen Liang | - | - | - | - |

| Title | Name | Fiscal year 2017 | | Current Fiscal Year and before May 24, 2018 | |
|--------------------|------------------------|--|---|--|---|
| | | Number of holding Shares Increased (Decreased) | Increased (Decreased) Number of Shares Collateralized | Number of holding Shares Increased (Decreased) | Increased (Decreased) Number of Shares Collateralized |
| Manager | Yen Chou | - | - | - | - |
| Manager | Jacky Lee | - | - | - | - |
| Manager | Tu, Jen-Chung(Note 16) | - | - | - | - |
| Accounting Manager | Chen-Hua, Chi | - | - | - | - |

Note 1 : Appointed on Apr. 7, 2017.

Note 2 : Resigned on Apr. 7, 2017.

Note 3 : Appointed on Jun. 26, 2017.

Note 4 : Resigned on Jun. 26, 2017.

Note 5 : Appointed on Apr. 1, 2017..

Note 6 : Resigned on Apr. 1, 2017.

Note 7 : Resigned on Apr. 1, 2017.

Note 8 : Appointed on Apr. 1, 2017.

Note 9 : Resigned on Apr. 1, 2017.

Note 10 : Appointed on Apr. 1, 2017.

Note 11 : Appointed on May 15, 2017.

Note 12 : Appointed on May 1, 2018.

Note 13 : Resigned on Apr. 1, 2018.

Note 14 : Resigned on Apr. 1, 2016.

Note 15 : Resigned on Apr. 7, 2016.

Note 16 : Appointed on Jan. 1, 2018.

(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. Diamond Hosiery & Thread Co., Ltd. Lo-Wen Enterprises Co., Ltd | Affiliates Affiliates Affiliates Affiliates | Director |
| Kenneth K.T.Yen | - | - | - | - | - | - | - | - | Representative of Director |
| Kuo-Rong Chen | 5,000 | - | - | - | - | - | - | - | |
| Zhen -Xiang Yao | - | - | - | - | - | - | - | - | |
| Leman C.C. Lee | - | - | - | - | - | - | - | - | |
| Nissan Motor Corporation | 120,000,000 | 40.00 | - | - | - | - | - | - | Director |
| Takashi NISHIBAYASHI | - | - | - | - | - | - | - | - | Representative of Director |
| Atsushi KUBO | - | - | - | - | - | - | - | - | |
| Junichi OHORI | - | - | - | - | - | - | - | - | |
| Kenji SHIMOYAMA | - | - | - | - | - | - | - | - | |
| Yu Ching Business Co., Ltd. | 3,500,000 | 1.17 | - | - | - | - | Yulon Motor Co., Ltd. Sin Chi Co., Ltd. Diamond Hosiery & Thread Co., Ltd. Lo-Wen Enterprises Co., Ltd | Affiliates Affiliates Affiliates Affiliates | Representative: Kuo-Rong Chen |
| Sin Chi Co., Ltd. | 3,050,000 | 1.02 | - | - | - | - | Yulon Motor Co., Ltd. Yu Ching Business Co., Ltd. Diamond Hosiery & Thread Co., Ltd. Lo-Wen Enterprises Co., Ltd | Affiliates Affiliates Affiliates Affiliates | 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 |
| Diamond Hosiery & Thread Co., Ltd. | 1,768,000 | 0.59 | - | - | - | - | Yulon Motor Co., Ltd. Yu Ching Business Co., Ltd. Sin Chi Co., Ltd. Lo-Wen Enterprises Co., Ltd | Affiliates Affiliates Affiliates Affiliates | Representative: Kenneth K.T. Yen |
| Lo-Wen Enterprises Co., Ltd | 1,700,000 | 0.57 | - | - | - | - | Yulon Motor Co., Ltd. Yu Ching Business Co., Ltd. Sin Chi Co., Ltd. Diamond Hosiery & Thread Co., Ltd. | Affiliates Affiliates Affiliates Affiliates | Representative: Wei Gong Chi |
| New pension fund. | 1,258,500 | 0.42 | - | - | - | - | - | - | - |
| Taiwan Life Insurance Co., Ltd | 1,042,000 | 0.35 | - | - | - | - | - | - | Representative: Si-Guo Huang |

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

Apr. 24, 2018

| Structure of Shareholders Quantity(Qty) | Governmental Institution | Financial Institution | Other Institution | Natural Person | Foreign Institutional and Natural Person | Total |
|---|-----------------------------|--------------------------|----------------------|----------------|--|-------------|
| | Number | 1 | 8 | 83 | 4,608 | 77 |
| Shares | 1,258,500 | 1,914,000 | 162,019,754 | 11,514,859 | 123,292,887 | 300,000,000 |
| Percentage | 0.42% | 0.64% | 54.00% | 3.84% | 41.10% | 100% |

(3) Status of Ownership Dispersion

Par value per share: NTD 10.00

Apr. 24, 2018

| Shareholding class | No. of shareholders | Shares | Percentage |
|---|---------------------|-------------|------------|
| 1 ~ 999 | 864 | 85,097 | 0.02% |
| 1,000 ~ 5,000 | 3,427 | 5,706,100 | 1.90% |
| 5,001 ~ 10,000 | 258 | 2,046,101 | 0.68% |
| 10,001 ~ 15,000 | 70 | 921,373 | 0.30% |
| 15,001 ~ 20,000 | 37 | 691,000 | 0.23% |
| 20,001 ~ 30,000 | 38 | 987,000 | 0.32% |
| 30,001 ~ 40,000 | 16 | 570,751 | 0.19% |
| 40,001 ~ 50,000 | 12 | 548,704 | 0.18% |
| 50,001 ~ 100,000 | 18 | 1,212,358 | 0.40% |
| 100,001 ~ 200,000 | 15 | 2,059,465 | 0.68% |
| 200,001 ~ 400,000 | 6 | 1,799,863 | 0.59% |
| 400,001 ~ 600,000 | 3 | 1,396,188 | 0.46% |
| 600,001 ~ 800,000 | 2 | 1,500,500 | 0.50% |
| 800,001 ~ 1,000,000 | 0 | 0 | 0% |
| Make a self classification based on the actual situation when above 1,000,001 | 11 | 280,475,500 | 93.49% |
| Total | 4,777 | 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 |
| Diamond Hosiery & Thread Co., Ltd. | | 1,768,000 | 0.59 |
| Lo-Wen Enterprises Co., Ltd. | | 1,700,000 | 0.57 |
| New pension fund | | 1,258,500 | 0.42 |
| Taiwan Life Insurance Co., Ltd. | | 1,042,000 | 0.35 |

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

| Item | | Fiscal Year | | |
|--|-----------------------------------|-------------|-------------|---|
| | | 2016 year | 2017 year | Current Fiscal Year and before May 24, 2018 |
| Market value Per share | Highest | 279.0 | 332.0 | 274.0 |
| | Lowest | 191.0 | 195.5 | 249.0 |
| | Average | 210.83 | 248.18 | 259.84 |
| Net Assets Per share | Before distribution | 71.85 | 70.65 | 83.95 |
| | After distribution | - | - | - |
| EPS(Earning Per Share) | Weighted average number of shares | 300,000,000 | 300,000,000 | 300,000,000 |
| | EPS(Earning Per Share) | 15.44 | 22.14 | 5.37 |
| Dividend Per share | Cash Dividend | 22 | 20 | |
| | Stock | - | - | - |
| | Dividend | - | - | - |
| | Cumulative un-paid dividend | - | - | - |
| Analysis on ROI(Return on Investment) | Price-Earnings(P/E) Ratio | 13.65 | 11.21 | - |
| | Price-Dividend Ratio | - | - | - |
| | Dividend Yield | - | - | - |

(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, 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 2017 for the dividend distribution is cash dividend at NT\$20 per share and cash from legal reserve is NT\$1.

(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:

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.

Apart from the appropriation of aforementioned employee remuneration, the Company also distributes three holiday bonuses, annual bonus, operating team growth performance bonus, and other incentive awards based on factors such as operation performance and the individual work performance of employees. The company intends to encourage employees with producing better performance for the company and shareholders.

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 2017 cash remuneration payable to employees at the Board of Directors Meeting on March 26, 2018 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:

2017 director, supervisor and employee compensation

| | Board Resolution (03/26/2018) |
|---|-------------------------------|
| | Amount (NT\$) |
| Directors' and Supervisors' Compensation (Cash) | 0 |
| Employee's Compensation (Cash) | 8,011,433 |
| Total | 8,011,433 |

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

| | Board Resolution (03/27/2017) | Actual Result |
|---|-------------------------------|---------------|
| | Amount (NT\$) | Amount (NT\$) |
| Directors/Supervisors remuneration (Cash) | 0 | 0 |
| Employee bonus (Cash) | 5,772,860 | 5,772,860 |
| Total | 5,772,860 | 5,772,860 |

Note:The employee bonus \$5,772,860 had distributed after the 2017 shareholders' meeting.

(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 2016 | | Fiscal year 2017 | |
|------------------|------------------|---------------|------------------|---------------|
| | Amount | Percentage(%) | Amount | Percentage(%) |
| Finished cars | 30,964,440 | 88.82 | 29,274,487 | 88.12 |
| Parts | 3,828,126 | 10.98 | 3,818,369 | 11.49 |
| Other | 67,880 | 0.2 | 128,918 | 0.39 |
| Total | 34,860,446 | 100.00 | 33,221,774 | 100.00 |

(3) Current main products

A. NISSAN brand:

MEW MaARCH 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 L continuous variable speed hatchback

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: 1.6 L Imported SUV featuring continuously variable transmission (CVT)

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

B. INFINITI:

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

Q50: L4 2.0L Turbo/V6 3.5L Hybrid/Automatic 7-speed, 4-door mid-sized luxury compact sport car.

Q60: L4 2.0L Turbo/V6 3.5L Hybrid/Automatic 7-speed, 2-door luxury sport car.

Q70: V6 2.5L/V6 3.7L/Automatic 7-speed, 4-door luxury compact sport car.

QX30: L4 2.0L Turbo Automatic 7-speed, luxury sport car.

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

Favored by the circular recovery of global trade, continuous lifting of financial environment and

the various economies maintaining robust growing trends, IMF report points out that the 2017 global economic growth rate reached 3.7%.

Looking into 2018, the global economy will still continue the momentum of past economic recovery while all research institutes are optimistic in predicting stronger economy compared with 2017. Nonetheless attention must be drawn to the monetary tightening policy and intensified trade protectionism in countries with advanced development. The estimation of the global economic growth in 2018 made by research institutions is shown in the following table:

| 2018 Global Economic Growth Rate Forecast | | |
|---|-----------------|----------------------|
| Research Institute | Latest Forecast | Date of Announcement |
| IMF International Monetary Fund | 3.9% | Apr. 2018 |
| IHS Global Insight | 3.4% | Apr. 2018 |

(2) China Economic Environment

Due to stimulus policy and stabilizing overseas demand, the economic growth rate in mainland China in 2017 was 6.9%, up 0.2% compared with 2016. However following the launch of de-leveraging, control of underground finance and contamination prevention actions, the economic growth rate of mainland China in 2018 is estimated to fall slightly behind compared with the economic growth performance last year. The estimation of the economic growth in mainland China made by research institutions is shown in the following table:

| 2018 China Economic Growth Rate Forecast | | |
|--|-----------------|----------------------|
| Research Institute | Latest Forecast | Date of Announcement |
| China Government | 6.5% | Mar 2018 |
| IMF International Monetary Fund | 6.6% | Apr 2018 |

(3) Domestic Economic Environment

Due to the stable economic growth in 2017, the annual economic growth of 2.86% outperformed the 1.50% in 2016 mainly because of the export in favor of global economic recovery, companied by the moderate growth in private-sector spending.

Looking into 2018, in favor of the continuous economic recovery linking to export momentum and the expansion of semiconductor industries for advanced processing investment, the overall investment strength will significantly expand while all major research institutes predict Taiwan's economy to still present moderate growth. The estimation of the economic growth in Taiwan made by research institutions is shown in the following table:

| 2018 Taiwan Economic Growth Rate Forecast | | |
|---|-----------------|--------------------|
| Research Institute | Latest Forecast | Date of Announcemt |
| Directorate-General of Budget, Accounting and Statistics, Executive Yuan.R.O.C.(Taiwan) | 2.42% | Feb 2018 |
| Chung Hua Institute for Economic Research | 2.47% | Apr 2018 |
| Asian Development Bank | 1.9% | Apr 2018 |

2. Industry Overview and Development

With the implementation of the government policy, which allowed citizens to exempt the goods tax through replacement, the total sales in 2017 increased slightly compared with 2016. In 2017, the total sales was 434,657 cars, an increase of 1.0% compared with 2016. The sale of made-in-Taiwan vehicle was 249,215 cars, which declined by 4.1% than 2016; imported vehicle was 185,442 cars, which grown by 8.8% than 2016; market share grown to 42.8%.

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 2017. 52,234 domestic small saloon cars under 1600cc were sold, indicating a decreased rate of 8.7% compared to 2016, accounting for 29.9% of the domestic passenger car market.

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

In 2017. The medium sedan market sales reached 70,279 cars , indicating a decreased rate of 10.5% compared to 2016, accounting for 40.2% of the domestic passenger car market.

(3) Decline of 2.0L or above car models

The sales volume in the large-sized car market in 2016 amounts to 6,694 cars, indicating a decreased rate of 13.9% compared to 2016.

(4) RV car models

In 2017. The sales volume in the RV car market is 174,761 vehicles, the sales volume with an increase of 13.2% from 2016.

(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 2016 | Fiscal year 2017 | Current Fiscal Year and before May 24,2018(Note) |
|--|------------------|------------------|--|
| R&D expenditure | 525,674 | 672,305 | 163,366 |
| Net Sales | 34,860,446 | 33,221,774 | 12,578,012 |
| Percentage of R&D expenditure over Net Sales | 1.5% | 2% | 1.3% |

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.
- (12) Feb. 2017 completed the development for modified model of iTIIDA.
- (13) October 2017: Completed the development of remodeled SENTRA.
- (14) May 2018: Completed the development of remodeled X-Trail.

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, SENTRA, TIIDA, MARCH 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

| 2018 | 2019 | 2020 |
|---------|---------|---------|
| 546,494 | 466,527 | 511,162 |

(4) Long, short term business development plan

Due to the global economic recovery and the stable rebound of raw material price, Taiwan's economic environment became stable. In 2016, the growth momentum in the automotive market gradually improved as a result of the government's replacement subsidies and the new models launched by each brand.

To continuously maintain a stable growth and secure the corporate sustainable development and long-term profitability, the Company has to actively plan and carry out the short-term and long-term action plans periodically.

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).NIM (NISSAN INTELLIGENT MOBILITY) include the three core technologies for “smart driving,” “smart energy” and “smart integration,” which will re-shape brand value and drive brand rejuvenation for expansion in target customers.
- (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 APP" 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.

(5) Cooperate with global trends in environmental protection, energy-conservation and carbon reduction to develop clean automobiles.

To shape the image of green brand, the company will continue and expand the introduction of green and clean-energy vehicles to build a green traffic vision comprising the co-existence concept of people, cars and nature.

(6) Proactively response to government policy on five-year commodity replacement funding

In early 2016, the government announced the implementation of old vehicles replacement with new commodity tax exemption and has effectively increased consumer intention to

purchase new cars. To control the policy trend and strengthen competitive advantage, the company has formulated sales strategies with more ambition and built the one-stop management process to capture the policy related business opportunities through optimal service content and quality.

2. Long-term business development plan

To sustain the demand for company growth, NISSAN Motor reexamines the mid and long-term internal and external environmental impact assessment and identifies the future potential market risks and opportunities. The Company prudently designs the “One-Two-Three Mid-Term Strategic Plan” and expects to establish the core competitive advantage for the next generation in 3 years, in order to assure the accomplishment of mid-term strategic objectives.

The framework of “One-Two-Three” Mid-Term Strategic Plan includes two principal objectives, 3S Strategic Framework, and Nine Major Strategic Supports, as described below:

- (1) Two Principal Objectives: Set up the certain market share and objectives in operating profits before 2020.
- (2) The 3S Strategic Framework includes the following three strategic constituents and the different strategic supports of composition:

A. Sell More – Sales growth strategy based on “innovation.”

The mid and long-term core competitive advantages will develop from “innovation” and cooperate with big data analysis for the application of identifying potential customer of development, precision analysis of different customer demand, and development of differentiated marketing to effectively conduct marketing strategy. Meanwhile the strategy will unfold the overall brand development strategy, customer access process management strategy, channel competition strategy, and customer-oriented product development strategies as well as other core strategic supports to examine the overall precision combat approach and to substantially improve resource allocation effect and the growth in sales momentum.

B. Spend Wise – Cost thinning strategy based on “reciprocity.”

The management consisting of revenue generation and saving will supplement each other and effectively improve the nature and profits of the company. Such management will not only expand the sales in breadth and depth but also initiate TdC (Total delivery Cost) for management improvement, reviewing and implementing nodes improvement comprehensively to substantially improve the competitive advantage in cost and to inject stable profit source for marketing resource and the company.

C. Share with Hearts – Corporate rooting strategy based on “sharing.”

The company will comprehensively examine the changes in corporate nature and competitive environment through the formulation of mid-term strategy plan. The setup of mid and long-term strategic objectives and designing mid and long-term strategic orientation will refine the corporate cultural value with effective repurposing of organization management.

The mid-term strategic plan will establish a “people-oriented” corporate foundation with the purpose to create resource sharing, responsibility sharing, and outcome sharing “inclusive environment.” The plan will expand the potential and value of employees so that employees

will incessantly discover innovation and take challenge with courage. All employees will develop consensus through intense communication and good interaction in the process, which will become the specific contribution of compelling power in “Sell More” and “Spend Wise.”

A. Launching next-generation human resource system

The system will continue building a strategic-oriented learning organization as the key development, upgrading organizational operation efficiency through organization process reengineering, V-up Nissan Motors system analysis and problem-solving approach, and cost and carbon reduction. Meanwhile the system will continue expand the scope and application of knowledge management platform to create opportunities of constant learning growth for employees and build the environment and culture of learning-based organization.

- Remarkable marketing team plan: Update capacity of marketing team.
- Distinguished supervisor plan: Intensify the managerial capacity of management.
- Supervisor successor plan: Develop entry-level officers and successor for mid-level supervisor.
- Key talent retention: Retain the core talents for the company effectively through reasonable and transparent assessment system.
- Dual-track system: Build professional technological position and managerial positions in terms of long-term development orientation so employees will receive explicit development path.
- Key process document systematization: Document the company knowledge with core value and record and retain through systematic approach to facilitate management and use.

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 or 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. 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 2017, 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 2017, we sold 39,220 general cars with a market share of 15.7% and 3,410 import ones, with a market share of 1.8%. The total sales volume is 42,630 units and the market share is 9.8%. The total sales volume in 2017 is decreases 4.7% than 2016.

3. Analysis and Description of 2017 Market Sales Status and Growth

Due to the government's replacement subsidy policy implemented in 2017, the number of registered cars nationwide was 43,500 in 2017, In 2017, the luxury imported car brand continued to introduce low-priced models and expand the chips, making the market share hit a record high; on the other hand, the market share of domestic cars throughout the year was 57.3%, a decrease of 4.1% compared to 60.4% in 2016. This showed that the operation of domestic cars became more and more difficult.

4. Market Sales Forecast for This Year (2018)

Due to the government's goods tax subsidy policy and preferential programs promoted by car companies to stimulate replacement, the sales in the automotive market boomed in the beginning of 2018. From January to April 2018, 145,854 cars were sold in the market, an increase of 5.0% over the same period last year. Looking at 2017, with the replacement policy and new model launches in the automotive market, the sales may reach 42,000 cars. In 2018, the Company will continue to improve its brand image of "innovation that excites" and favorability through face-lifted launches of ALL NEW LIVINA, TIIDA, SENTRA and X-TRAIL and will also enhance the power of basic models to meet the needs of economical consumers who intend to replace their old cars in response to the government's eco-friendly policy. Besides, a series of brand experience activities will be held this year, including DIY classes, NISSAN Care APP, and NISSAN Nature Trip, to promote the Company's brand spirit of safety, comfort, and energy-saving. With the focus on ALL NEW LIVINA, TIIDA, SENTRA, and X-TRAIL, the Company aims to achieve the sales target of 2018 by organizing physical and audio/video marketing activities in an innovative way.

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 2016 | | | | Fiscal year 2017 | | | | First Quarter in 2018 | | | |
|------|-----------------------|------------|-------------------|-------------------------------|-----------------------|------------|-------------------|-------------------------------|-----------------------|-----------|-------------------|-------------------------------|
| | 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. | 28,288,848 | 99 | Relative Party | Yulon Motor Co., Ltd. | 25,632,031 | 99 | Relative Party | Yulon Motor Co., Ltd. | 6,362,996 | 98 | Related Party |
| 2 | Others | 416,200 | 1 | | Others | 298,657 | 1 | | Others | 123,768 | 2 | |
| | Net Purchase amount | 28,705,048 | 100 | | Net Purchase amount | 25,930,688 | 100 | | Net Purchase amount | 6,486,764 | 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 2016 | | | Fiscal year 2017 | | | First Quarter in 2018 | | |
|------|-------------------------------|------------------|-------------------|-------------------------------|------------------|-------------------|-------------------------------|-----------------------|-------------------|-------------------------------|
| | | 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 | 30,841,817 | 89 | Relative Party | 29,166,734 | 88 | Relative Party | 7,287,064 | 87 | Related Party |
| 2 | Others | 4,018,629 | 11 | | 4,055,040 | 12 | | 1,071,384 | 13 | |
| | Net Purchase amount | 34,860,446 | 100 | | 33,221,774 | 100 | | 8,358,448 | 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

| Sales Volume Main Produces (or by Department) | Fiscal year 2016 | | Fiscal year 2017 | | Fiscal year 2016 | | Fiscal year 2017 | |
|---|------------------|------------|------------------|---------|------------------|------------|------------------|---------|
| | Local Sales | | Export Sales | | Local Sales | | Export Sales | |
| | Volume | Amount | Volume | Amount | Volume | Amount | Volume | Amount |
| Vehicle | 44,699 | 30,964,440 | - | - | 42,668 | 29,273,945 | - | 542 |
| Parts | - | 3,612,327 | - | 215,800 | - | 3,670,158 | - | 148,211 |
| Other | - | 67,880 | - | - | - | 96,367 | - | 32,551 |
| Total | - | 34,644,646 | - | 215,800 | - | 33,040,470 | - | 181,304 |

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

| Fiscal Year | | Fiscal year 2016 | Fiscal year 2017 | Current Fiscal Year and before May 24,2018 |
|-------------------|--------------------------|------------------|------------------|--|
| No. of Employee | Marketing | 181 | 178 | 174 |
| | Management | 87 | 87 | 87 |
| | Reserch & Development | 165 | 167 | 170 |
| | Total | 433 | 432 | 431 |
| Average age | | 41.00 | 42.30 | 42.55 |
| Average seniority | | 12.74 | 13.87 | 14.12 |
| Academy Ratio | Doctor | 1 | 0 | 1 |
| | Master | 226 | 227 | 225 |
| | College | 178 | 177 | 176 |
| | Senior High School | 27 | 27 | 28 |
| | Below Senior High School | 2 | 1 | 1 |

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 before holiday.
- (2) Provides safe, convenient, quiet dormitory environment and free of charge.

■ ■ Highlights Of Operations

- (3) Establish employee welfares zone, which includes tennis court, indoor and outdoor basketball court, warm water swimming pool, sauna facilities, video/audio center, gymnasium, etc.
 - (4) Hold family day on May 1 labour day, annual domestic and foreign tourism, 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) The Employee Assistance Program (EAP) was set up, with specialized professionals to assist employees with consultations on various problems encountered in their work and life, so as to relieve employees' work-life pressure and maintain their mental health.
 - (7) 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 2017 and 2016, 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 NT14,440 thousand and NT14,060 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 | 2017.3.1~ 2022.2.28 | 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 | 2018.3.1~ 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 | Yuan Long Motor Co., Ltd. and other 3 companies | 2017.3.1~ 2021.2.28 | 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

| Fiscal Year Item | | Financial Data in recent 5 years | | | | | The financial data as of March 31, 2018 (Note 1) |
|--|---------------------|----------------------------------|------------|------------|------------|------------|--|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Current Assets | | 4,939,631 | 10,174,765 | 10,473,513 | 12,208,994 | 8,005,623 | 8,233,842 |
| Property, plant and equipment | | 1,748,604 | 1,758,753 | 1,936,231 | 1,703,040 | 1,479,225 | 1,464,022 |
| Intangible assets | | 7,887 | 12,346 | 14,330 | 17,407 | 20,882 | 21,580 |
| Other assets | | 28,622,496 | 24,538,542 | 18,736,489 | 15,797,481 | 16,264,911 | 17,844,399 |
| Total Assets | | 35,318,618 | 36,484,406 | 31,160,563 | 29,726,922 | 25,770,641 | 27,563,843 |
| Current Liabilities | Before distribution | 5,172,176 | 6,369,203 | 6,988,624 | 6,310,765 | 2,545,626 | 2,491,469 |
| | After distribution | 11,013,176 | 15,369,203 | 10,738,624 | 12,910,765 | - | - |
| Non-current liabilities | | 5,105,965 | 3,184,691 | 2,216,761 | 1,861,814 | 2,030,391 | 2,521,692 |
| Total Liabilities | Before distribution | 10,278,141 | 9,553,894 | 9,205,385 | 8,172,579 | 4,576,017 | 5,013,161 |
| | After distribution | 16,119,141 | 18,553,894 | 12,955,385 | 14,772,579 | - | - |
| Equity attributable to owners of the company | | 25,040,477 | 26,930,512 | 21,955,178 | 21,554,343 | 21,194,624 | 22,550,682 |
| Share Capital | | 3,000,000 | 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 | 6,129,405 |
| Retained Earnings | Before distribution | 15,700,634 | 16,384,208 | 11,523,312 | 12,387,086 | 12,440,237 | 13,559,312 |
| | After distribution | 9,859,634 | 7,384,208 | 7,773,312 | 5,787,086 | (Note2) | - |
| Other equity | | 210,438 | 1,416,899 | 1,302,461 | 37,852 | (375,018) | (138,035) |
| Treasury stock | | - | - | - | - | - | - |
| Noncontrolling interest (NCI) | | - | - | - | - | - | - |
| Total equity | Before distribution | 25,040,477 | 26,930,512 | 21,955,178 | 21,554,343 | 21,194,624 | 22,550,682 |
| | After distribution | 19,199,477 | 17,930,512 | 18,205,178 | 14,954,343 | (Note 2) | - |

Note 1: Quarterly Statement of the First Quarter of 2018 has not been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2018 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, 2018 (Note 1) |
|--|---------------------|----------------------------------|------------|------------|------------|------------|--|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Current Assets | | 18,135,802 | 16,262,960 | 12,313,731 | 12,843,955 | 8,783,713 | 9,023,783 |
| Property, plant and equipment | | 1,748,604 | 1,758,753 | 1,936,231 | 1,703,040 | 1,479,225 | 1,464,022 |
| Intangible assets | | 7,887 | 12,346 | 14,330 | 17,407 | 20,882 | 21,580 |
| Other assets | | 15,426,672 | 18,472,488 | 16,914,743 | 15,175,346 | 15,492,967 | 17,058,881 |
| Total Assets | | 35,318,965 | 36,506,547 | 31,179,035 | 29,739,748 | 25,776,787 | 27,568,266 |
| Current Liabilities | Before distribution | 5,172,523 | 6,369,203 | 6,989,699 | 6,310,765 | 2,545,626 | 2,491,469 |
| | After distribution | 11,013,523 | 15,369,203 | 10,739,699 | 12,910,765 | (Note2) | - |
| Non-current liabilities | | 5,105,965 | 3,206,832 | 2,234,158 | 1,874,640 | 2,036,537 | 2,526,115 |
| Total Liabilities | Before distribution | 10,278,488 | 9,576,035 | 9,223,857 | 8,185,405 | 4,582,163 | 5,017,584 |
| | After distribution | 16,119,488 | 18,576,035 | 12,973,857 | 14,785,405 | (Note2) | - |
| Equity attributable to owners of the company | | 25,040,477 | 26,930,512 | 21,955,178 | 21,554,343 | 21,194,624 | 22,550,682 |
| Share Capital | | 3,000,000 | 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 | 6,129,405 |
| Retained Earnings | Before distribution | 15,700,634 | 16,384,208 | 11,523,312 | 12,387,086 | 12,440,237 | 13,559,312 |
| | After distribution | 9,859,634 | 7,384,208 | 7,773,312 | 5,787,086 | (Note2) | - |
| Other equity | | 210,438 | 1,416,899 | 1,302,461 | 37,852 | (375,018) | (138,035) |
| Treasury stock | | - | - | - | - | - | - |
| Noncontrolling interest (NCI) | | - | - | - | - | - | - |
| Total equity | Before distribution | 25,040,477 | 26,930,512 | 21,955,178 | 21,554,343 | 21,194,624 | 22,550,682 |
| | After distribution | 19,199,477 | 17,930,512 | 18,205,178 | 14,954,343 | (Note2) | - |

Note 1: Quarterly Statement of the First Quarter of 2018 has been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2018 general meeting of shareholders.

Individual Condensed Income Statement-IFRS

Unit : NTD thousand

| Fiscal Year Item | Financial Data in recent 5 years | | | | | The financial data as of March 31, 2018 (Note) |
|---|----------------------------------|------------|------------|-------------|------------|--|
| | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Operating Revenue | 31,486,050 | 33,170,141 | 33,218,394 | 34,860,446 | 33,221,774 | 8,358,448 |
| Gross Profit | 5,448,850 | 4,314,965 | 5,305,213 | 5,046,649 | 6,184,455 | 1,661,383 |
| Operating profit or loss | 1,856,646 | 801,184 | 1,256,316 | 1,224,263 | 2,096,150 | 434,139 |
| Non-operating Income and Expenses | 6,950,244 | 7,225,493 | 3,743,371 | 4,361,841 | 5,907,271 | 1,267,288 |
| Profit before tax | 8,806,890 | 8,026,677 | 4,999,687 | 5,586,104 | 8,003,421 | 1,701,427 |
| Net income (loss) | 7,299,997 | 6,523,759 | 4,165,901 | 4,630,615 | 6,642,500 | 1,111,027 |
| Other comprehensive profit and loss (net) | 1,115,187 | 1,207,276 | (141,235) | (1,281,450) | (402,219) | 245,031 |
| Total current comprehensive profit and loss | 8,415,184 | 7,731,035 | 4,024,666 | 3,349,165 | 6,240,281 | 1,356,058 |
| Net income attributable to parent company's shareholders | 7,299,997 | 6,523,759 | 4,165,901 | 4,630,615 | 6,642,500 | 1,111,027 |
| Net income attributable to unrestrictive equity | - | - | - | - | - | - |
| Total comprehensive profit and loss attributable to parent company's shareholders | 8,415,184 | 7,731,035 | 4,024,666 | 3,349,165 | 6,240,281 | 1,356,058 |
| Total comprehensive profit and loss attributable to unrestrictive equity | - | - | - | - | - | - |
| EPS (Earning Per Share) | 24.33 | 21.75 | 13.89 | 15.44 | 22.14 | 3.7 |

Note : Quarterly Statement of the First Quarter of 2017 has not been reviewed by CPAs.

Consolidated Condensed Income Statement-IFRSs

Unit : NTD thousand

| Item | Financial Data in recent 5 years | | | | | The financial data as of March 31, 2018 (Note) | |
|---|----------------------------------|------------|------------|------------|-------------|--|-----------|
| | Fiscal Year | 2013 | 2014 | 2015 | 2016 | | 2017 |
| Operating Revenue | | 31,486,050 | 33,176,837 | 33,218,394 | 34,860,446 | 33,221,774 | 8,358,448 |
| Gross Profit | | 5,448,850 | 4,321,661 | 5,305,213 | 5,046,649 | 6,184,455 | 1,661,383 |
| Operating profit or loss | | 1,832,179 | 786,229 | 1,234,816 | 1,202,037 | 2,075,688 | 428,864 |
| Non-operating Income and Expenses | | 6,974,711 | 7,240,448 | 3,764,871 | 4,384,067 | 5,927,733 | 1,272,563 |
| Profit before tax | | 8,806,890 | 8,026,677 | 4,999,687 | 5,586,104 | 8,003,421 | 1,701,427 |
| Net income (loss) | | 7,299,997 | 6,523,759 | 4,165,901 | 4,630,615 | 6,642,500 | 1,111,027 |
| Other comprehensive profit and loss (net) | | 1,115,187 | 1,207,276 | (141,235) | (1,281,450) | (402,219) | 246,031 |
| Total current comprehensive profit and loss | | 8,415,184 | 7,731,035 | 4,024,666 | 3,349,165 | 6,240,281 | 1,356,058 |
| Net income attributable to parent company's shareholders | | 7,299,997 | 6,523,759 | 4,165,901 | 4,630,615 | 6,642,500 | 1,111,027 |
| Net income attributable to unrestrictive equity | | - | - | - | - | - | - |
| Total comprehensive profit and loss attributable to parent company's shareholders | | 8,415,184 | 7,731,035 | 4,024,666 | 3,349,165 | 6,240,281 | 1,356,058 |
| Total comprehensive profit and loss attributable to unrestrictive equity | | - | - | - | - | - | - |
| EPS (Earning Per Share) | | 24.33 | 21.75 | 13.89 | 15.44 | 22.14 | 3.7 |

Note : Quarterly Statement of the First Quarter of 2017 has been reviewed by CPAs.

(2) CPAs' Name and Auditor opinions

| Fiscal Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------|------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------|
| CPA (Certified public accountant) | Chien-Hsin Hsieh En-in Wu | Chien-Hsin Hsieh Wan-Yi Liao | Wan-Yi Liao Chien-Hsin Hsieh | Wan-Yi Liao Chien-Hsin Hsieh | Wan-Yi Liao Robert Yu |
| Auditors' opinions | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion |

2. Financial analysis in recent 5 years

Financial Ratio Analysis complying with IFRS - individual

| Analysis items | | Fiscal Year | | Financial analysis in recent 5 years | | | | | The financial data as of March 31, 2018 (Note 1) |
|-----------------------|--|-------------|----------|--------------------------------------|----------|----------|----------|--|--|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | | | |
| Finance Structure% | Debt to assets ratio | 29 | 26 | 30 | 27 | 18 | 18 | | |
| | Long term funds to Property, plant and equipment ratio | 1,724 | 1,712 | 1,248 | 1,375 | 1,570 | 1,713 | | |
| Liquidity % | Current Ratio | 96 | 160 | 150 | 193 | 314 | 330 | | |
| | Quick Ratio | 95 | 160 | 150 | 193 | 314 | 320 | | |
| | Interest coverage ratio | 519 | 189 | 137 | 162 | 718 | 7,431 | | |
| Operating Performance | Receivables turnover (times) | 66 | 105 | 93 | 69 | 43 | 50 | | |
| | Average number days receivables outstanding | 5 | 3 | 4 | 5 | 8 | 7 | | |
| | Inventory turnover (times) | 14,489 | 12,058 | 9,694 | 10,785 | 21,552 | 468 | | |
| | Payable turnover (times) | 16 | 31 | 36 | 23 | 26 | 32 | | |
| | Average inventory turnover days | - | - | - | - | - | - | | |
| | Property, plant and equipment turnover (times) | 18 | 19 | 18 | 19 | 21 | 23 | | |
| | Total asset turnover (times) | 1 | 1 | 1 | 1 | 1 | 1 | | |
| Profitability | Return on assets (%) | 23 | 18 | 12 | 15 | 24 | 17 | | |
| | Return on equity (%) | 32 | 25 | 17 | 21 | 31 | 20 | | |
| | Pre-tax Income to Paid-in Capital Ratio (%) | 294 | 268 | 166 | 186 | 267 | 227 | | |
| | Profit margin (%) | 23 | 20 | 13 | 13 | 20 | 13 | | |
| | Earning Per Share (NT dollar) | 24.33 | 21.75 | 13.89 | 15.44 | 22.14 | 3.7 | | |
| Cash Flow | Cash flow from operations ratio (%) | 27 | 3 | (Note 3) | (Note 3) | 107 | (Note 3) | | |
| | Cash flow adequacy ratio (%) | 64 | 46 | 29 | 17 | 12 | (Note 3) | | |
| | Cash Flow Re-investment Ratio (%) | (Note 2) | (Note 2) | (Note 3) | (Note 3) | (Note 2) | (Note 3) | | |
| Leverage | Operating leverage | 1 | 2 | 2 | 1 | 1 | 1 | | |
| | Financial leverage | 1 | 1 | 1 | 1 | 1 | 1 | | |

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

- 1.The reduction in liability to asset ratio was because of the full repayment of short-term loans.
- 2.The rise in lowered current ratio and quick ratio was because of reduction in both current assets and current liabilities. Reduced current assets were because of fund redemption with current cash paid to cash dividends and repayment of short-term loans. The reduction in current liabilities was because of the full repayment of short-term loans.
- 3.Interest protection multipliers was increased compared with the same period last year due to the reduction in current repayment of short-term loans that led to lower interest expenses and the improved current operations that led to increase in earnings before tax.
- 4.Reduced average collection turnover and increased in average collection days were caused by the increase in the number of vehicles for receivables in current period leading to the rise in average account receivables.

5. The rise in inventory turnover and reduced average inventory turnover days were because of inventory deduction for current period that led to the reduction in average inventory.
6. The increase in Return on Total Assets Ratio, Return on equity and EPS was because of the lower importing cost from JPY deflation and the increase in profits from reinvested company this year that led to increased net profit.
7. Increased cash flow rate was because of current increased net profit and fund redemption converted into cash that generates net cash inflow from operation and current liabilities due to reduced repayment of short-term loans.
8. The decrease in the cash flow adequacy ratio is mainly due to the increase in cash dividends over the past five years.

Note1 : Financial Statement of 2013- 2016 has been reviewed by CPAs. Quarterly individual Statement of the First Quarter in 2018 has not been reviewed by CPAs.

Note2 : 2013, 2014 & 2017 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : 2015 and 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, 2018 (Note 1) |
|-----------------------|--|-------------|----------|--------------------------------------|----------|----------|----------|--|--|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | | | |
| Finance Structure% | Debt to assets ratio | 29 | 26 | 30 | 28 | 18 | 18 | | |
| | Long term funds to Property, plant and equipment ratio | 1,724 | 1,714 | 1,249 | 1,376 | 1,571 | 1,713 | | |
| Liquidity % | Current Ratio | 350 | 255 | 176 | 204 | 345 | 362 | | |
| | Quick Ratio | 334 | 247 | 175 | 203 | 344 | 351 | | |
| | Interest coverage ratio | 519 | 189 | 137 | 162 | 718 | 7,431 | | |
| Operating Performance | Receivables turnover (times) | 66 | 106 | 75 | 56 | 44 | 50 | | |
| | Average number days receivables outstanding | 5 | 3 | 5 | 6 | 8 | 7 | | |
| | Inventory turnover (times) | 14,489 | 12,058 | 9,694 | 10,785 | 21,552 | 468 | | |
| | Payable turnover (times) | 16 | 31 | 26 | 31 | 26 | 32 | | |
| | Average inventory turnover days | - | - | - | - | - | - | | |
| | Property, plant and equipment turnover (times) | 18 | 19 | 18 | 19 | 21 | 23 | | |
| | Total asset turnover (times) | 1 | 1 | 1 | 1 | 1 | 1 | | |
| Profitability | Return on assets (%) | 23 | 18 | 12 | 15 | 24 | 17 | | |
| | Return on equity (%) | 32 | 25 | 17 | 21 | 31 | 20 | | |
| | Pre-tax Income to Paid-in Capital Ratio (%) | 294 | 268 | 167 | 186 | 267 | 227 | | |
| | Profit margin (%) | 23 | 20 | 13 | 13 | 20 | 13 | | |
| | Earning Per Share (NT dollar) | 24.33 | 21.75 | 13.89 | 15.44 | 22.14 | 3.7 | | |
| Cash Flow | Cash flow from operations ratio (%) | 27 | (Note 3) | (Note 3) | (Note 3) | 85 | (Note 3) | | |
| | Cash flow adequacy ratio (%) | 108 | 69 | 39 | 8 | 2 | (Note 3) | | |
| | Cash Flow Re-investment Ratio (%) | (Note 2) | (Note 3) | (Note 3) | (Note 3) | (Note 2) | (Note 3) | | |
| Leverage | Operating leverage | 1 | 2 | 2 | 1 | 1 | 1 | | |
| | Financial leverage | 1 | 1 | 1 | 1 | 1 | 1 | | |

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

1. The reduction in liability to asset ratio was because of the full repayment of short-term loans.
2. The rise in lowered current ratio and quick ratio was because of reduction in both current assets and current liabilities. Reduced current assets were because of fund redemption with current cash paid to cash dividends and repayment of short-term loans. The reduction in current liabilities was because of the full repayment of short-term loans.
3. Interest protection multipliers was increased compared with the same period last year due to the reduction in current repayment of short-term loans that led to lower interest expenses and the improved current operations that led to increase in earnings before tax.
4. Reduced average collection turnover and increased in average collection days were caused by the increase in the number of vehicles for receivables in current period leading to the rise in average account receivables.
5. The rise in inventory turnover and reduced average inventory turnover days were because of inventory

deduction for current period that led to the reduction in average inventory.

6 The increase in Return on Total Assets Ratio, Return on equity and EPS was because of the lower importing cost from JPY deflation and the increase in profits from reinvested company this year that led to increased net profit.

7. Increased cash flow rate was because of current increased net profit and fund redemption converted into cash that generates net cash inflow from operation and current liabilities due to reduced repayment of short-term loans.

8. The decrease in the cash flow adequacy ratio is mainly due to the increase in cash dividends over the past five years.

Note1 : Financial Statement of 2013- 2017 has been reviewed by CPAs. Quarterly Statement of the First Quarter in 2018 has been reviewed by CPAs.

Note2 : 2013&2017 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : 2014, 2015 and 2016 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).

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 2017 together with auditors' report prepared and certified by 2 authorized CPAs: Ms. Wan-Yi Liao and Mr. Robert Yu 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

2018 Shareholders' Meeting

Supervisors:

Wei Wen Investment Co., Ltd.



Representative: Kwan-Tao Li



Representative: Tai-Ming Chen



Supervisors:

Takahiko Ikushima



May 11, 2018

4. Recent Annual Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

Yulon Nissan Motor Company, Ltd.

Opinion

We have audited the accompanying financial statements of Yulon Nissan Motor Company, Ltd. (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Depreciation of Molds and Dies

In the application of IAS 16 "Property, Plant and Equipment", the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The Company depreciates molds and dies on the basis of the unit of production method and examines the estimated units sold of each model according to the changes of the market semiannually as a basis to calculate amounts allocated to each mold and die. The depreciation of molds and dies in 2017 was \$450,244 thousand. The amount of depreciation of molds and dies is significant and estimates of units sold are highly dependent on management's judgment. Therefore, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the financial statements, respectively; the related amounts are disclosed in Note 11 to the financial statements.

We obtained the information and documents regarding the estimated number of units of future sales by each model from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the transactions of molds and dies to verify original documents and cash flows and performed procedures such as field inventory and confirmation. Besides, we recalculated the amount of depreciation of molds and dies on the basis of estimated production volume in order to assess the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we compared whether there was a significant difference between the amended estimated number of units of future sales used in the financial statement of the last year and the actual sales units, so as to evaluate the appropriateness of management's estimation.

Provisions for Warranties

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the end of the reporting date. The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2017, the carrying amount of the provisions for warranties was \$151,484 thousand. Due to management's use of judgments in estimating the number of units of cars subject to warranties, warranty provisions recognized is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the financial statements, respectively; the related amounts are disclosed in Note 16 to the financial statements.

We obtained from management the information and documents regarding the estimated number of units of cars subject to warranty during the warranty period from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the ledgers of actual warranty expenditure this year to verify original documents and cash flows, and we recalculated the amount that should be provided for as warranty according to the warranty policy. Moreover, we compared whether there was a significant difference between the estimated number of units of cars subject to warranty used in the financial statements last year and the actual units of cars subject to warranty, so as to evaluate the appropriateness of management's estimation.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Wan-I Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and financial statements shall prevail.

YULON NISSAN MOTOR COMPANY, LTD.

BALANCE SHEETS DECEMBER 31, 2017 AND 2016

| ASSETS | 2017 | | 2016 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 6,045,156 | 23 | \$ 9,268,414 | 31 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 874,052 | 3 | 2,275,103 | 8 |
| Notes receivable - related parties (Notes 4 and 27) | 1,612 | - | 4,174 | - |
| Trade receivables (Notes 4 and 8) | 39,135 | - | 40,532 | - |
| Trade receivables - related parties (Notes 4 and 27) | 902,139 | 4 | 545,098 | 2 |
| Other receivables (Notes 4 and 8) | 123,460 | 1 | 57,311 | - |
| Inventories (Notes 4 and 9) | - | - | 2,509 | - |
| Prepayments (Note 27) | 20,069 | - | 15,853 | - |
| Total current assets | 8,005,623 | 31 | 12,208,994 | 41 |
| NON-CURRENT ASSETS | | | | |
| Investments accounted for using equity method (Notes 4 and 10) | 16,023,303 | 62 | 15,281,346 | 51 |
| Property, plant and equipment (Notes 4, 11 and 27) | 1,479,225 | 6 | 1,703,040 | 6 |
| Computer software (Notes 4 and 12) | 20,882 | - | 17,407 | - |
| Deferred tax assets (Notes 4 and 21) | 127,060 | 1 | 128,364 | 1 |
| Other non-current assets (Notes 13 and 27) | 114,548 | - | 387,771 | 1 |
| Total non-current assets | 17,765,018 | 69 | 17,517,928 | 59 |
| TOTAL | \$ 25,770,641 | 100 | \$ 29,726,922 | 100 |

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

| LIABILITIES AND EQUITY | 2017 | | 2016 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 14) | \$ - | - | \$ 3,630,000 | 12 |
| Notes payable - related parties (Note 27) | - | - | 1,536 | - |
| Trade payables | 55,385 | - | 33,967 | - |
| Trade payables - related parties (Note 27) | 875,464 | 3 | 1,083,176 | 4 |
| Other payables (Note 15) | 913,372 | 4 | 886,241 | 3 |
| Current tax liabilities (Notes 4 and 21) | 442,943 | 2 | 452,079 | 1 |
| Provisions (Notes 4, 5 and 16) | 192,278 | 1 | 196,036 | 1 |
| Other current liabilities (Notes 17 and 27) | <u>66,184</u> | - | <u>27,730</u> | - |
| Total current liabilities | <u>2,545,626</u> | <u>10</u> | <u>6,310,765</u> | <u>21</u> |
| NON-CURRENT LIABILITIES | | | | |
| Provisions (Notes 4, 5 and 16) | 62,931 | - | 65,387 | - |
| Net defined benefit liabilities (Notes 4 and 18) | 392,625 | 2 | 441,009 | 2 |
| Deferred tax liabilities (Notes 4 and 21) | 1,511,815 | 6 | 1,315,478 | 4 |
| Other non-current liabilities (Notes 17 and 27) | <u>63,020</u> | - | <u>39,940</u> | - |
| Total non-current liabilities | <u>2,030,391</u> | <u>8</u> | <u>1,861,814</u> | <u>6</u> |
| Total liabilities | <u>4,576,017</u> | <u>18</u> | <u>8,172,579</u> | <u>27</u> |
| EQUITY | | | | |
| Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks | <u>3,000,000</u> | <u>12</u> | <u>3,000,000</u> | <u>10</u> |
| Capital surplus | <u>6,129,405</u> | <u>24</u> | <u>6,129,405</u> | <u>21</u> |
| Retained earnings | | | | |
| Legal reserve | 4,519,914 | 17 | 4,056,853 | 14 |
| Special reserve | 788,877 | 3 | 788,877 | 3 |
| Unappropriated earnings | <u>7,131,446</u> | <u>28</u> | <u>7,541,356</u> | <u>25</u> |
| Total retained earnings | <u>12,440,237</u> | <u>48</u> | <u>12,387,086</u> | <u>42</u> |
| Other equity | <u>(375,018)</u> | <u>(2)</u> | <u>37,852</u> | - |
| Total equity | <u>21,194,624</u> | <u>82</u> | <u>21,554,343</u> | <u>73</u> |
| TOTAL | <u>\$ 25,770,641</u> | <u>100</u> | <u>\$ 29,726,922</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, 2017 AND 2016

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

| | 2017 | | 2016 | |
|---|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Note 27) | | | | |
| Sales (Note 4) | \$ 33,092,856 | 100 | \$ 34,792,566 | 100 |
| Service revenue (Note 4) | 32,551 | - | 6,173 | - |
| Other operating revenue | <u>96,367</u> | <u>-</u> | <u>61,707</u> | <u>-</u> |
| Total operating revenue | 33,221,774 | 100 | 34,860,446 | 100 |
| OPERATING COSTS (Notes 9, 20 and 27) | <u>27,037,319</u> | <u>82</u> | <u>29,813,797</u> | <u>86</u> |
| GROSS PROFIT | <u>6,184,455</u> | <u>18</u> | <u>5,046,649</u> | <u>14</u> |
| OPERATING EXPENSES (Notes 18, 20 and 27) | | | | |
| Selling and marketing expenses | 3,092,559 | 9 | 2,938,452 | 8 |
| General and administrative expenses | 322,756 | 1 | 372,841 | 1 |
| Research and development expenses | <u>672,305</u> | <u>2</u> | <u>525,674</u> | <u>2</u> |
| Total operating expenses | <u>4,087,620</u> | <u>12</u> | <u>3,836,967</u> | <u>11</u> |
| OTHER OPERATING INCOME AND EXPENSES (Notes 20 and 27) | <u>(685)</u> | <u>-</u> | <u>14,581</u> | <u>-</u> |
| PROFIT FROM OPERATIONS | <u>2,096,150</u> | <u>6</u> | <u>1,224,263</u> | <u>3</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Share of profit of subsidiary | 6,225,205 | 19 | 4,536,994 | 13 |
| Interest income (Note 4) | 139,956 | - | 65,702 | - |
| Gain on financial assets at fair value through profit or loss, net | 4,052 | - | 10,103 | - |
| Other revenue | 2,000 | - | 1,521 | - |
| Gain (loss) on disposal of investments, net (Note 20) | 1,945 | - | (19,444) | - |
| Net foreign exchange loss (Note 20) | (441,720) | (1) | (180,828) | - |
| Interest expenses (Note 27) | (11,158) | - | (34,726) | - |
| Overseas business expenses (Note 27) | (10,915) | - | (13,259) | - |
| Other losses (Note 27) | <u>(2,094)</u> | <u>-</u> | <u>(4,222)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>5,907,271</u> | <u>18</u> | <u>4,361,841</u> | <u>13</u> |
| PROFIT BEFORE INCOME TAX | 8,003,421 | 24 | 5,586,104 | 16 |
| INCOME TAX EXPENSES (Notes 4 and 21) | <u>1,360,921</u> | <u>4</u> | <u>955,489</u> | <u>3</u> |
| NET PROFIT FOR THE YEAR | <u>6,642,500</u> | <u>20</u> | <u>4,630,615</u> | <u>13</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2017 | | 2016 | |
|--|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 18) | \$ 12,930 | - | \$ (20,226) | - |
| Share of the other comprehensive loss of subsidiaries accounted for using equity method | (98) | - | (64) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21) | <u>(2,181)</u> | - | <u>3,449</u> | - |
| | <u>10,651</u> | - | <u>(16,841)</u> | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | <u>(412,870)</u> | <u>(1)</u> | <u>(1,264,609)</u> | <u>(3)</u> |
| Other comprehensive loss for the year, net of income tax | <u>(402,219)</u> | <u>(1)</u> | <u>(1,281,450)</u> | <u>(3)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 6,240,281</u> | <u>19</u> | <u>\$ 3,349,165</u> | <u>10</u> |
| EARNINGS PER SHARE (Note 22) | | | | |
| Basic | <u>\$22.14</u> | | <u>\$15.44</u> | |
| Diluted | <u>\$22.14</u> | | <u>\$15.43</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, 2017 AND 2016

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

| | Capital Stock | Capital Surplus (Note 19) |
|---|---------------|------------------------------|
| BALANCE AT JANUARY 1, 2016 | \$ 3,000,000 | \$ 6,129,405 |
| Appropriation of 2015 earnings | | |
| Legal reserve | - | - |
| Cash dividends distributed by the Company - NT\$12.5 per share | - | - |
| | - | - |
| Net profit for the year ended December 31, 2016 | - | - |
| Other comprehensive loss for the year ended December 31, 2016, net of income tax | - | - |
| Total comprehensive income (loss) for the year ended December 31, 2016 | - | - |
| BALANCE AT DECEMBER 31, 2016 | 3,000,000 | 6,129,405 |
| Appropriation of 2016 earnings | | |
| Legal reserve | - | - |
| Cash dividends distributed by the Company - NT\$22 per share | - | - |
| | - | - |
| Net profit for the year ended December 31, 2017 | - | - |
| Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax | - | - |
| Total comprehensive income (loss) for the year ended December 31, 2017 | - | - |
| BALANCE AT DECEMBER 31, 2017 | \$ 3,000,000 | \$ 6,129,405 |

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

| Retained Earnings (Notes 19 and 21) | | | Other Equity | Total Equity |
|-------------------------------------|-----------------|-------------------------|--|---------------|
| Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | |
| \$ 3,640,263 | \$ 788,877 | \$ 7,094,172 | \$ 1,302,461 | \$ 21,955,178 |
| 416,590 | - | (416,590) | - | - |
| - | - | (3,750,000) | - | (3,750,000) |
| 416,590 | - | (4,166,590) | - | (3,750,000) |
| - | - | 4,630,615 | - | 4,630,615 |
| - | - | (16,841) | (1,264,609) | (1,281,450) |
| - | - | 4,613,774 | (1,264,609) | 3,349,165 |
| 4,056,853 | 788,877 | 7,541,356 | 37,852 | 21,554,343 |
| 463,061 | - | (463,061) | - | - |
| - | - | (6,600,000) | - | (6,600,000) |
| 463,061 | - | (7,063,061) | - | (6,600,000) |
| - | - | 6,642,500 | - | 6,642,500 |
| - | - | 10,651 | (412,870) | (402,219) |
| - | - | 6,653,151 | (412,870) | 6,240,281 |
| \$ 4,519,914 | \$ 788,877 | \$ 7,131,446 | \$ (375,018) | \$ 21,194,624 |

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, 2017 AND 2016

(In Thousands of New Taiwan Dollars)
2017 **2016**

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|------------------|------------------|
| Income before income tax | \$ 8,003,421 | \$ 5,586,104 |
| Adjustments for: | | |
| Depreciation expenses | 483,121 | 442,764 |
| Amortization expenses | 5,280 | 4,941 |
| Gain on financial assets at fair value through profit or loss, net | (4,052) | (10,103) |
| Interest expense | 11,158 | 34,726 |
| Interest income | (139,956) | (65,702) |
| Share of the profit of subsidiary | (6,225,205) | (4,536,994) |
| Loss (gain) on disposal of property, plant and equipment, net | 685 | (14,581) |
| Loss (gain) on disposal of investment, net | (1,945) | 19,444 |
| Net foreign exchange loss | 197,778 | 69,364 |
| Net changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | 1,407,048 | (792,901) |
| Notes receivable - related parties | 2,562 | 1,965 |
| Trade receivables | 1,393 | 30,400 |
| Trade receivables - related parties | (357,071) | (43,370) |
| Other receivables | (81,761) | (2,545) |
| Inventories | 2,509 | 511 |
| Prepayments | (4,216) | 53 |
| Notes payable | - | (243,000) |
| Notes payable - related parties | (1,536) | 1,536 |
| Trade payables | 21,418 | (20,006) |
| Trade payables - related parties | 32,266 | (57,363) |
| Other payables | 28,325 | (15,701) |
| Other current liabilities | 38,454 | (3,702) |
| Provisions | (6,214) | 14,873 |
| Other non-current liabilities | 23,080 | 39,940 |
| Net defined benefit liabilities | (35,454) | (152,580) |
| Cash generated from operations | 3,401,088 | 288,073 |
| Interest paid | (12,352) | (34,714) |
| Income tax paid | (662,080) | (867,376) |
| Net cash generated from (used in) operating activities | <u>2,726,656</u> | <u>(614,017)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|------------------|------------------|
| Dividends received | 4,563,252 | 5,549,705 |
| Interest received | 155,568 | 49,405 |
| Payments for property, plant and equipment (Note 23) | (505,559) | (281,772) |
| Proceeds from disposal of property, plant, and equipment | 3,986 | 22,478 |
| Payments for computer software | (11,460) | (8,018) |
| Decrease in refundable deposits | 277,532 | 29,410 |
| Net cash generated from investing activities | <u>4,483,319</u> | <u>5,361,208</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)
2017 **2016**

| | | |
|---|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | \$ (3,630,000) | \$ - |
| Payments of dividends | <u>(6,600,000)</u> | <u>(3,750,000)</u> |
| Cash used in financing activities | <u>(10,230,000)</u> | <u>(3,750,000)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | | |
| | <u>(203,233)</u> | <u>(92,389)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | (3,223,258) | 904,802 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | |
| | <u>9,268,414</u> | <u>8,363,612</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | |
| | <u>\$ 6,045,156</u> | <u>\$ 9,268,414</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, 2017 AND 2016

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

1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company”) is a business focused on the research and development of vehicles and the sale of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales and 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 40% of its 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 Company’s board of directors on March 26, 2018.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and

measurement considerations and add requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 27 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

| <u>New IFRSs</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|---|--|
| Annual Improvements to IFRSs 2014-2016 Cycle | Note 2 |
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" | January 1, 2018 |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| 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 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers" | January 1, 2018 |
| 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 40 "Transfers of Investment Property" | January 1, 2018 |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration" | January 1, 2018 |

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss.

The Company analyzed the facts and circumstances of its financial assets that existed at December 31, 2017 and performed an assessment of the impact of IFRS 9 on the classification and measurement of factored trade receivables. The factored trade receivables classified as loans and receivables and measured at amortized cost will be classified as at fair value through profit or loss under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and these investments are held within a business model whose objective is achieved by selling financial assets without recourse.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Company satisfies a performance obligation.

The Company elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Company will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The application of IFRS 15 is not expected to have a material impact on the assets, liabilities and equity of the Company as of January 1, 2018.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assess the possible impact that the application of other standards and interpretations will not have any material impact on the Company’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation” | January 1, 2019 (Note 2) |
| 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 |
| IFRS 16 “Leases” | January 1, 2019 (Note 3) |
| IFRS 17 “Insurance Contracts” | January 1, 2021 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 (Note 4) |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” | January 1, 2019 |
| IFRIC 23 “Uncertainty Over Income Tax Treatments” | January 1, 2019 |

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative

effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The 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 the financial instruments and net defined benefit liabilities which are measured at the present values of the defined benefit obligation less than fair value of plan 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 based on 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; 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 units sold. Other property, plant and equipment are depreciated by using straight-line method. The estimated sales volume, useful lives, residual values and depreciation method of an asset are reviewed at the end of each reporting period, 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.

Computer Software

Computer software is stated at cost, less subsequent accumulated amortization. The amortization is recognized on a straight-line basis over 3 years. The estimated useful life, residual value and amortization method are reviewed at the end of each reporting period, 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 financial liabilities are recognized when the Company 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 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.

Cash equivalent includes time deposits and repurchase agreements collateralized by bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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, such 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.

Provisions

a. Inventory purchase commitments

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 commitments 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 by the management of the Company of the expenditure required to settle the Company's obligation.

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 stockholder'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 Benefits

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 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 income is different from the net income before tax on the 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 stockholders 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 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 subsidiaries, except where the Company 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 liabilities are settled or the assets are realized.

c. Current and deferred taxes for the year

Current and deferred taxes 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 taxes 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. Property, plant and equipment - molds and dies

The Company depreciates molds and dies on the basis of a units of production method and examines the estimated units sold of each model according to the changes in the market semiannually as a basis to calculate amounts allocated to each mold and die.

b. Provisions for the expected cost of warranties

The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and the estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2017 and 2016, the carrying amounts of provisions for warranties were \$151,484 thousand and \$136,731 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Cash on hand | \$ - | \$ 20 |
| Checking accounts and demand deposits | 925,330 | 984,164 |
| Foreign currency demand deposits | 2,173,566 | 261,676 |
| Cash equivalents | | |
| Foreign currency time deposits | 2,328,150 | 7,458,316 |
| Time deposits | 6,900 | 206,900 |
| Repurchase agreements collateralized by bonds | <u>611,210</u> | <u>357,338</u> |
| | <u>\$ 6,045,156</u> | <u>\$ 9,268,414</u> |

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, 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 demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

| | December 31 | |
|---|--------------------|--------------|
| | 2017 | 2016 |
| Demand deposits and time deposits | 0.001%-4.10% | 0.001%-9.00% |
| Repurchase agreements collateralized by bonds | 1.85%-2.00% | 1.50% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|--|--------------------|---------------------|
| | 2017 | 2016 |
| <u>Financial assets held for trading</u> | | |
| Non-derivative financial assets | | |
| Mutual funds | <u>\$ 874,052</u> | <u>\$ 2,275,103</u> |

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|--------------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| Trade receivables | <u>\$ 39,135</u> | <u>\$ 40,532</u> |
| Other receivables | | |
| Interest receivables | \$ 2,525 | \$ 18,137 |
| Disposal of mutual funds receivables | 98,000 | 17,198 |
| Others | <u>22,935</u> | <u>21,976</u> |
| | <u>\$ 123,460</u> | <u>\$ 57,311</u> |

a. 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 based on the past due days from invoice date was as follows:

| | December 31 | |
|------------|--------------------|------------------|
| | 2017 | 2016 |
| 0-60 days | \$ 39,135 | \$ 37,202 |
| 61-90 days | <u>-</u> | <u>3,330</u> |
| | <u>\$ 39,135</u> | <u>\$ 40,532</u> |

The aging of receivables that were past due but not impaired was as follows:

| | December 31 | |
|-----------|--------------------|-----------------|
| | 2017 | 2016 |
| 1-60 days | <u>\$ 3,088</u> | <u>\$ 4,907</u> |

b. 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 | |
|-------|--------------------|-----------------|
| | 2017 | 2016 |
| Parts | <u>\$ -</u> | <u>\$ 2,509</u> |

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 was \$27,037,319 thousand, which included warranty costs of \$156,914 thousand and reversals of losses on inventory purchase commitments of \$20,967 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 was \$29,813,797 thousand, which included warranty costs of \$127,316 thousand and losses on inventory purchase commitments of \$1,197 thousand.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | |
|--------------------------------------|----------------------|----------------------|
| | 2017 | 2016 |
| <u>Investment in subsidiary</u> | | |
| Yi-Jan Overseas Investment Co., Ltd. | <u>\$ 16,023,303</u> | <u>\$ 15,281,346</u> |

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

| | Proportion of Ownership and Voting Rights | |
|--------------------------------------|--|-------------|
| | December 31 | |
| | 2017 | 2016 |
| Yi-Jan Overseas Investment Co., Ltd. | 100% | 100% |

Refer to Table 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, 2017 and 2016 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 | Transportation Equipment | Machinery and Equipment | Leasehold Improvements | Tools | Total |
|--|-----------------------|---------------------|--------------------|---------------------|--------------------------|-------------------------|------------------------|-------------------|-----------------------|
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2016 | \$ 4,463,975 | \$ 854,314 | \$ 78,353 | \$ 151,582 | \$ 8,408 | \$ 15,784 | \$ 8,903 | \$ 5,694 | \$ 5,587,013 |
| Additions | 288,885 | - | 6,144 | 21,802 | 10,034 | - | - | - | 326,865 |
| Disposals | - | - | (7,427) | (13,774) | - | (9,122) | - | - | (30,323) |
| Reversal | (109,395) | - | - | - | - | - | - | - | (109,395) |
| Balance at December 31, 2016 | <u>\$ 4,643,465</u> | <u>\$ 854,314</u> | <u>\$ 77,070</u> | <u>\$ 159,610</u> | <u>\$ 18,442</u> | <u>\$ 6,662</u> | <u>\$ 8,903</u> | <u>\$ 5,694</u> | <u>\$ 5,774,160</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | | |
| Balance at January 1, 2016 | (2,950,144) | (527,202) | (68,095) | (79,339) | (3,118) | (14,985) | (2,394) | (5,505) | (3,650,782) |
| Depreciation expenses | (333,085) | (79,186) | (4,309) | (22,528) | (1,624) | (170) | (1,772) | (90) | (442,764) |
| Disposals | - | - | 7,350 | 5,954 | - | 9,122 | - | - | 22,426 |
| Balance at December 31, 2016 | <u>\$ (3,283,229)</u> | <u>\$ (606,388)</u> | <u>\$ (65,054)</u> | <u>\$ (95,913)</u> | <u>\$ (4,742)</u> | <u>\$ (6,033)</u> | <u>\$ (4,166)</u> | <u>\$ (5,595)</u> | <u>\$ (4,071,120)</u> |
| Carrying amount, net, December 31, 2016 | <u>\$ 1,360,236</u> | <u>\$ 247,926</u> | <u>\$ 12,016</u> | <u>\$ 63,697</u> | <u>\$ 13,700</u> | <u>\$ 629</u> | <u>\$ 4,737</u> | <u>\$ 99</u> | <u>\$ 1,703,040</u> |
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2017 | \$ 4,643,465 | \$ 854,314 | \$ 77,070 | \$ 159,610 | \$ 18,442 | \$ 6,662 | \$ 8,903 | \$ 5,694 | \$ 5,774,160 |
| Additions | 182,418 | 46,121 | 9,509 | 18,574 | 4,650 | - | - | - | 261,272 |
| Reclassification | - | - | 2,705 | - | - | - | - | - | 2,705 |
| Disposals | (1,050) | - | (6,701) | (545) | (4,070) | - | (4,510) | - | (16,876) |
| Balance at December 31, 2017 | <u>\$ 4,824,833</u> | <u>\$ 900,435</u> | <u>\$ 82,583</u> | <u>\$ 177,639</u> | <u>\$ 19,022</u> | <u>\$ 6,662</u> | <u>\$ 4,393</u> | <u>\$ 5,694</u> | <u>\$ 6,021,261</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | | |
| Balance at January 1, 2017 | \$ (3,283,229) | \$ (606,388) | \$ (65,054) | \$ (95,913) | \$ (4,742) | \$ (6,033) | \$ (4,166) | \$ (5,595) | \$ (4,071,120) |
| Depreciation expenses | (373,151) | (77,093) | (5,756) | (22,856) | (2,353) | (168) | (1,688) | (56) | (483,121) |
| Disposals | 1,050 | - | 6,668 | 530 | 226 | - | 3,731 | - | 12,205 |
| Balance at December 31, 2017 | <u>\$ (3,655,330)</u> | <u>\$ (683,481)</u> | <u>\$ (64,142)</u> | <u>\$ (118,239)</u> | <u>\$ (6,869)</u> | <u>\$ (6,201)</u> | <u>\$ (2,123)</u> | <u>\$ (5,651)</u> | <u>\$ (4,542,036)</u> |
| Carrying amount, net, December 31, 2017 | <u>\$ 1,169,503</u> | <u>\$ 216,954</u> | <u>\$ 18,441</u> | <u>\$ 59,400</u> | <u>\$ 12,153</u> | <u>\$ 461</u> | <u>\$ 2,270</u> | <u>\$ 43</u> | <u>\$ 1,479,225</u> |

The above reversal is due to the decline of the original cost of molds.

There were no signs of impairment losses of assets for the years ended December 31, 2017 and 2016; therefore, the Company did not assess for impairment.

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

| | |
|------------------------------------|---------------|
| Computer equipment | 3 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 improvements | 5 years |
| Tools | 2 to 5 years |

12. COMPUTER SOFTWARE

| | Amount |
|--------------------------------------|-------------------|
| <u>Cost</u> | |
| Balance at January 1, 2016 | \$ 20,685 |
| Additions | 8,018 |
| Disposals | <u>(1,414)</u> |
| Balance at December 31, 2016 | <u>\$ 27,289</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2016 | \$ (6,355) |
| Amortization expenses | (4,941) |
| Disposals | <u>1,414</u> |
| Balance at December 31, 2016 | <u>\$ (9,882)</u> |
| Carrying amount at December 31, 2016 | <u>\$ 17,407</u> |
| <u>Cost</u> | |
| Balance at January 1, 2017 | \$ 27,289 |
| Reclassification | (2,705) |
| Additions | 11,460 |
| Disposals | <u>(10,742)</u> |
| Balance at December 31, 2017 | <u>\$ 25,302</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2017 | \$ (9,882) |
| Amortization expenses | (5,280) |
| Disposals | <u>10,742</u> |
| Balance at December 31, 2017 | <u>\$ (4,420)</u> |
| Carrying amount at December 31, 2017 | <u>\$ 20,882</u> |

There were no signs of impairment losses of assets for the years ended December 31, 2017 and 2016; therefore, the Company did not assess for impairment.

13. OTHER NON-CURRENT ASSETS

| | December 31 | |
|-------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Refundable deposits (Note 27) | \$ 98,575 | \$ 376,107 |
| Prepayments for equipment | <u>15,973</u> | <u>11,664</u> |
| | <u>\$ 114,548</u> | <u>\$ 387,771</u> |

14. SHORT-TERM BORROWINGS

| | December 31 | |
|-------------------------|-----------------------|---------------------|
| | 2017 | 2016 |
| Unsecured bank loans | \$ <u> -</u> | \$ <u>3,630,000</u> |
| Range of interest rates | - | 0.89%-1.06% |

15. OTHER PAYABLES

| | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Advertising and promotion fees | \$ 452,021 | \$ 480,992 |
| Salaries and bonuses | 344,476 | 316,620 |
| Others | <u>116,875</u> | <u>88,629</u> |
| | <u>\$ 913,372</u> | <u>\$ 886,241</u> |

16. PROVISIONS

| | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Current | | |
| Inventory purchase commitments | \$ 103,725 | \$ 124,692 |
| Warranties | <u>88,553</u> | <u>71,344</u> |
| | <u>\$ 192,278</u> | <u>\$ 196,036</u> |
| Non-current | | |
| Warranties | <u>\$ 62,931</u> | <u>\$ 65,387</u> |

| | Inventory Purchase Commitments | Warranties | Total |
|--|---|-------------------|-------------------|
| Balance at January 1, 2016 | \$ 123,495 | \$ 123,055 | \$ 246,550 |
| Additional provisions recognized | 1,197 | 127,316 | 128,513 |
| Paid | <u>-</u> | <u>(113,640)</u> | <u>(113,640)</u> |
| Balance at December 31, 2016 | <u>\$ 124,692</u> | <u>\$ 136,731</u> | <u>\$ 261,423</u> |
| Balance at January 1, 2017 | \$ 124,692 | \$ 136,731 | \$ 261,423 |
| Additional provisions recognized (reversed) | (20,967) | 156,914 | 135,947 |
| Paid | <u>-</u> | <u>(142,161)</u> | <u>(142,161)</u> |
| Balance at December 31, 2017 | <u>\$ 103,725</u> | <u>\$ 151,484</u> | <u>\$ 255,209</u> |

The provisions for losses on inventory purchase commitments represent the present obligations of which the unavoidable costs for meeting the obligations under the commitments exceed the economic benefits expected to be received from the commitments.

The provisions for warranty claims represent 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 warranties under the local sale of goods legislation. The estimate had been made on the basis of historical warranty trends.

17. OTHER LIABILITIES

| | December 31 | |
|-------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| Current | | |
| Receipts in advance (Note 27) | \$ 59,052 | \$ 21,719 |
| Withholding | 3,107 | 2,000 |
| Others | <u>4,025</u> | <u>4,011</u> |
| | <u>\$ 66,184</u> | <u>\$ 27,730</u> |
| Non-current | | |
| Receipts in advance (Note 27) | <u>\$ 63,020</u> | <u>\$ 39,940</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, 2017 and 2016 was \$14,440 thousand and \$14,060 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 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| Selling and marketing expenses | \$ 4,924 | \$ 4,731 |
| General and administrative expenses | 4,385 | 4,322 |
| Research and development expenses | 4,875 | 4,766 |
| Non-operating expenses | <u>256</u> | <u>241</u> |
| | <u>\$ 14,440</u> | <u>\$ 14,060</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 6 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 | |
|--|--------------------|-------------------|
| | 2017 | 2016 |
| Present value of funded defined benefit obligation | \$ 597,831 | \$ 609,866 |
| Fair value of plan assets | <u>(205,206)</u> | <u>(168,857)</u> |
| Deficit | <u>\$ 392,625</u> | <u>\$ 441,009</u> |
| Net defined benefit liabilities | <u>\$ 392,625</u> | <u>\$ 441,009</u> |

Movements in net defined benefit liabilities (assets) were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|--|--|---|
| Balance at January 1, 2016 | <u>\$ 583,971</u> | <u>\$ (10,608)</u> | <u>\$ 573,363</u> |
| Service cost | | | |
| Current service cost | 5,251 | - | 5,251 |
| Past service cost | 4,608 | - | 4,608 |
| Net interest expense (income) | <u>8,578</u> | <u>(207)</u> | <u>8,371</u> |
| Recognized in profit or loss | <u>18,437</u> | <u>(207)</u> | <u>18,230</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (906) | (906) |
| Actuarial loss - changes in demographic assumptions | 6,372 | - | 6,372 |
| Actuarial loss - changes in financial assumptions | 22,425 | - | 22,425 |
| Actuarial gain - experience adjustments | <u>(7,665)</u> | <u>-</u> | <u>(7,665)</u> |
| Recognized in other comprehensive income | <u>21,132</u> | <u>(906)</u> | <u>20,226</u> |
| Contributions from the employer | <u>-</u> | <u>(157,136)</u> | <u>(157,136)</u> |
| Benefits paid | <u>-</u> | <u>-</u> | <u>-</u> |
| Liabilities extinguished on settlement | <u>(13,674)</u> | <u>-</u> | <u>(13,674)</u> |
| Balance at December 31, 2016 | <u>\$ 609,866</u> | <u>\$ (168,857)</u> | <u>\$ 441,009</u> |
| Balance at January 1, 2017 | <u>\$ 609,866</u> | <u>\$ (168,857)</u> | <u>\$ 441,009</u> |
| Service cost | | | |
| Current service cost | 5,305 | - | 5,305 |
| Past service cost | - | - | - |
| Net interest expense (income) | <u>6,861</u> | <u>(1,936)</u> | <u>4,925</u> |
| Recognized in profit or loss | <u>12,166</u> | <u>(1,936)</u> | <u>10,230</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 139 | 139 |
| Actuarial loss - changes in demographic assumptions | 9,243 | - | 9,243 |
| Actuarial loss - changes in financial assumptions | - | - | - |
| Actuarial loss - experience adjustments | <u>(22,312)</u> | <u>-</u> | <u>(22,312)</u> |
| Recognized in other comprehensive income | <u>(13,069)</u> | <u>139</u> | <u>(12,930)</u> |
| Contributions from the employer | <u>-</u> | <u>(41,920)</u> | <u>(41,920)</u> |
| Benefits paid | <u>(7,368)</u> | <u>7,368</u> | <u>-</u> |
| Liabilities extinguished on settlement | <u>(3,764)</u> | <u>-</u> | <u>(3,764)</u> |
| Balance at December 31, 2017 | <u>\$ 597,831</u> | <u>\$ (205,206)</u> | <u>\$ 392,625</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 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| Selling and marketing expenses | \$ 2,522 | \$ 4,595 |
| General and administrative expenses | 3,277 | 7,158 |
| Research and development expenses | 4,046 | 5,993 |
| Non-operating expenses | <u>385</u> | <u>484</u> |
| | <u>\$ 10,230</u> | <u>\$ 18,230</u> |

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 | |
|-------------------------------------|--------------------|-------------|
| | 2017 | 2016 |
| Discount rate(s) | 1.125% | 1.125% |
| 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 | |
|------------------|--------------------|--------------------|
| | 2017 | 2016 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (14,238)</u> | <u>\$ (15,158)</u> |
| 0.25% decrease | <u>\$ 14,762</u> | <u>\$ 15,733</u> |

| | December 31 | |
|-------------------------------------|--------------------|--------------------|
| | 2017 | 2016 |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 14,313</u> | <u>\$ 15,257</u> |
| 0.25% decrease | <u>\$ (13,879)</u> | <u>\$ (14,779)</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 | |
|--|--------------------|-----------------|
| | 2017 | 2016 |
| The expected contributions to the plan for the next year | <u>\$ 6,584</u> | <u>\$ 6,454</u> |
| The average duration of the defined benefit obligation | 9.8 years | 10.3 years |

19. EQUITY

a. Capital surplus

| | December 31 | |
|--|---------------------|---------------------|
| | 2017 | 2016 |
| Excess from spin-off | \$ 5,986,507 | \$ 5,986,507 |
| Generated from investments accounted for using equity method | <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 capital stock (limited to a certain percentage of the Company's capital surplus and to once a year).

The capital surplus from investments accounted for using equity method may not be used for any purpose.

b. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 30, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of

previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on the distribution of employees' compensation after the amendment, refer to Note 20-e. on employees' compensation.

The Company operates in a mature and stable industry. In determining the distribution of 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. The amount of dividends, which can be cash dividends or stock dividends, is formulated to be less than 90% of net income, though the final issued ratios would be proposed and approved by the board of directors. Cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

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 capital surplus. 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 capital surplus, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2016 and 2015 had been approved in the stockholders' meetings on June 26, 2017 and June 30, 2016, 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>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Legal reserve | \$ 463,061 | \$ 416,590 | | |
| Cash dividends | 6,600,000 | 3,750,000 | \$ 22.0 | \$ 12.5 |

20. NET PROFIT

a. Other operating income and expenses

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Gains on disposal of property, plant and equipment | \$ 104 | \$ 14,669 |
| Losses on disposal of property, plant and equipment | <u>(789)</u> | <u>(88)</u> |
| Net (loss) profit | <u>\$ (685)</u> | <u>\$ 14,581</u> |

b. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Property, plant and equipment | \$ 483,121 | \$ 442,764 |
| Computer software | <u>5,280</u> | <u>4,941</u> |
| | <u>\$ 488,401</u> | <u>\$ 447,705</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 450,244 | \$ 412,271 |
| Operating expenses | <u>32,877</u> | <u>30,493</u> |
| | <u>\$ 483,121</u> | <u>\$ 442,764</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 5,280</u> | <u>\$ 4,941</u> |

c. Technical cooperation agreement

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Operating costs | <u>\$ 517,931</u> | <u>\$ 539,184</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 benefits expense

| | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Post-employment benefits (Note 18) | | |
| Defined contribution plans | \$ 14,440 | \$ 14,060 |
| Defined benefit plans | <u>10,230</u> | <u>18,230</u> |
| | <u>24,670</u> | <u>32,290</u> |
| Termination benefits | - | 4,550 |
| Labor and health insurance | 37,940 | 36,573 |
| Salary | 592,325 | 556,366 |
| Other employee benefits | <u>53,527</u> | <u>49,178</u> |
| | <u>683,792</u> | <u>646,667</u> |
| Total employee benefits expense | <u>\$ 708,462</u> | <u>\$ 678,957</u> |

(Continued)

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------|
| | 2017 | 2016 |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 409 | \$ 632 |
| Operating expenses | \$ 707,412 | \$ 677,600 |
| Non-operating expenses | \$ 641 | \$ 725 |
| | | (Concluded) |

e. Employees' compensation

The Company accrued employees' compensation at the rates no less than 0.1% of net profit before income tax, and employees' compensation. The employees' compensation for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------|
| | 2017 | 2016 |
| Employees' compensation | 0.10% | 0.10% |

Amount

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------|
| | 2017 | 2016 |
| | Cash | Cash |
| Employees' compensation | \$ 8,011 | \$ 5,773 |

If there is a change in amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation paid and the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange, net

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------|
| | 2017 | 2016 |
| Foreign exchange gains | \$ 86,289 | \$ 119,816 |
| Foreign exchange losses | (528,009) | (300,644) |
| Net loss | \$ (441,720) | \$ (180,828) |

g. Gain or loss on disposal of investments, net

| | For the Year Ended December 31 | |
|---------------------------------|---------------------------------------|--------------------|
| | 2017 | 2016 |
| Gain on disposal of investments | \$ 14,047 | \$ 3,124 |
| Loss on disposal of investments | <u>(12,102)</u> | <u>(22,568)</u> |
| Net profit (loss) | <u>\$ 1,945</u> | <u>\$ (19,444)</u> |

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Current tax | | |
| In respect of the current year | \$ 1,167,101 | \$ 1,210,994 |
| Adjustments for prior years | (1,640) | 896 |
| Deferred tax | | |
| In respect of the current year | <u>195,460</u> | <u>(256,401)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 1,360,921</u> | <u>\$ 955,489</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2017 | 2016 |
| Profit before tax | <u>\$ 8,003,421</u> | <u>\$ 5,586,104</u> |
| Income tax expense calculated at the statutory rate (17%) | \$ 1,360,582 | \$ 949,637 |
| Adjustments of expenses in determining taxable income | 2,999 | 6,674 |
| Tax-exempt income | (1,020) | (1,718) |
| Adjustments for prior years' tax | <u>(1,640)</u> | <u>896</u> |
| Income tax expense recognized in profit or loss | <u>\$ 1,360,921</u> | <u>\$ 955,489</u> |

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$22,422 thousand and \$266,790 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-----------------|
| | 2017 | 2016 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Share of other comprehensive income of subsidiary accounted for using equity method | \$ 17 | \$ 11 |
| Remeasurement on defined benefit plans | <u>(2,198)</u> | <u>3,438</u> |
| Recognized in other comprehensive income (loss) | <u>\$ (2,181)</u> | <u>\$ 3,449</u> |

c. Current tax assets and liabilities

| | <u>December 31</u> | |
|-------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 442,943</u> | <u>\$ 452,079</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

| | 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 | \$ 97,753 | \$ (25,939) | \$ 3,438 | \$ 75,252 |
| Impairment losses | 13,005 | (13,005) | - | - |
| Provisions for warranties | 20,919 | 2,326 | - | 23,245 |
| Provisions for loss on inventory purchase commitments | 20,995 | 203 | - | 21,198 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen- sive Income | Closing Balance |
|--|---------------------|------------------------------------|---|------------------------------------|
| Unrealized exchange loss, net | - | 8,602 | - | 8,602 |
| Share of other comprehensive loss of subsidiaries accounted for using equity method | <u>56</u> | <u>-</u> | <u>11</u> | <u>67</u> |
| | <u>\$ 152,728</u> | <u>\$ (27,813)</u> | <u>\$ 3,449</u> | <u>\$ 128,364</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporarily difference | | | | |
| Shares of profit of subsidiaries | \$ 1,592,467 | \$ (276,989) | \$ - | \$ 1,315,478 |
| Unrealized exchange gain, net | <u>7,225</u> | <u>(7,225)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,599,692</u> | <u>\$ (284,214)</u> | <u>\$ -</u> | <u>\$ 1,315,478</u> (Concluded) |

For the year ended December 31, 2017

| | 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 | \$ 75,252 | \$ (6,026) | \$ (2,198) | \$ 67,028 |
| Provisions for warranties | 23,245 | 2,508 | - | 25,753 |
| Provisions for loss on inventory purchase commitments | 21,198 | (3,564) | - | 17,634 |
| Unrealized exchange loss, net | 8,602 | 7,959 | - | 16,561 |
| Share of other comprehensive loss of subsidiaries accounted for using equity method | <u>67</u> | <u>-</u> | <u>17</u> | <u>84</u> |
| | <u>\$ 128,364</u> | <u>\$ 877</u> | <u>\$ (2,181)</u> | <u>\$ 127,060</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 subsidiaries | <u>\$1,315,478</u> | <u>\$ 196,337</u> | <u>\$ -</u> | <u>\$ 1,511,815</u> (Concluded) |

e. Integrated income tax

| | <u>December 31</u> | |
|---|--|----------------------|
| | 2017 | 2016 |
| Unappropriated earnings | | |
| Generated on and after January 1, 1998 | Note | <u>\$ 7,541,356</u> |
| Stockholder-imputed credits accounts (“ICA”) | Note | <u>\$ 674,872</u> |
| | <u>For the Year Ended December 31</u> | |
| | 2017 | 2016 (Actual) |
| Creditable ratio for distribution of earnings | Note | 14.92% |

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected.

f. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The earnings and weighted-average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2017 | 2016 |
| Earnings used in the computation of basic and diluted earnings per share | <u>\$ 6,642,500</u> | <u>\$ 4,630,615</u> |

Weighted-average Number of Common Stock Outstanding (In Thousands of Shares)

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------|
| | 2017 | 2016 |
| Weighted average number of common stock in computation of basic earnings per share | 300,000 | 300,000 |
| Effect of potential dilutive common stock: | | |
| Employees' compensation | <u>22</u> | <u>38</u> |
| Weighted average number of common stock used in the computation of diluted earnings per share | <u>300,022</u> | <u>300,038</u> |

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

23. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Company entered into the following non-cash investing activities:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| <u>Investing activities affecting both cash and non-cash transactions</u> | | |
| Increase in property, plant and equipment | \$ 261,272 | \$ 326,865 |
| Net changes of prepayment for equipment | 4,309 | 8,784 |
| Net changes of trade payables | <u>239,978</u> | <u>(53,877)</u> |
| Cash paid for acquisition of property, plant and equipment | <u>\$ 505,559</u> | <u>\$ 281,772</u> |

24. OPERATING LEASE ARRANGEMENTS**The Company as Lessee**

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

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

| | December 31 | |
|--|--------------------|------------------|
| | 2017 | 2016 |
| No later than 1 year | \$ 1,871 | \$ 10,474 |
| Later than 1 year and not later than 3 years | <u>-</u> | <u>1,871</u> |
| | <u>\$ 1,871</u> | <u>\$ 12,345</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 the optimization of the debt and equity balance.

26. FINANCIAL INSTRUMENTS

- a. 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.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|----------------|----------------|-------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Non-derivative financial assets held for trading | <u>\$ 874,052</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 874,052</u> |

December 31, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|--|--------------------|----------------|----------------|--------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Non-derivative financial assets held for trading | <u>\$2,275,103</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,275,103</u> |

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

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

The fair value of mutual funds traded on active market is the net asset value on the 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.

c. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | 2017 | 2016 |
| <u>Financial assets</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | \$ 874,052 | \$ 2,275,103 |
| Loans and receivables (Note 1) | 7,111,502 | 9,915,529 |
| <u>Financial liabilities</u> | | |
| Amortized cost (Note 2) | 1,499,745 | 5,318,300 |

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 borrowings, notes payable, trade payables and part of other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, 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. dollar 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 | | Japanese Yen | |
|-------------|---------------------------|--------------|---------------------------|--------------|---------------------------|-------------|
| | For the Year Ended | | For the Year Ended | | For the Year Ended | |
| | December 31 | | December 31 | | December 31 | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Gain (loss) | \$ (193,447) | \$ (279,105) | \$ (58,047) | \$ (117,953) | \$ (4,646) | \$ (7,009) |

These were mainly attributable to the exposure outstanding on RMB-, U.S. dollars- and Japanese yen-denominated 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 | |
|-------------------------------|--------------------|--------------|
| | 2017 | 2016 |
| Fair value interest rate risk | | |
| Financial assets | \$ 2,944,331 | \$ 7,919,560 |
| Financial liabilities | - | 500,000 |
| Cash flows interest rate risk | | |
| Financial assets | 3,100,825 | 1,348,834 |
| Financial liabilities | - | 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, 2017 would increase/decrease by \$7,752 thousand, which was mainly attributable to the Company's exposure to interest rates on its demand deposits and time deposits.

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, 2016 would decrease/increase by \$4,453 thousand, which was mainly attributable to the Company's exposure to interest rates on its demand deposits, time deposits and short-term borrowings.

2) Credit risk

The Company's concentration of credit risk of 48% and 54% in total trade receivables as of December 31, 2017 and 2016, 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, 2017 and 2016, the available unutilized borrowings facilities were \$5,700,000 thousand and \$2,070,000 thousand, respectively.

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, 2017

| | 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 | - | <u>\$ 1,382,883</u> | <u>\$ 62,984</u> | <u>\$ 53,878</u> |

December 31, 2016

| | 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 | - | \$1,349,976 | \$ 92,693 | \$ 244,436 |
| Floating interest rate instrument | 0.89 | 3,132,720 | - | - |
| Fixed interest rate instrument | 1.06 | <u>500,174</u> | <u>-</u> | <u>-</u> |
| | | <u>\$4,982,870</u> | <u>\$ 92,693</u> | <u>\$ 244,436</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

| <u>Related Party</u> | <u>Relationship with the Company</u> |
|---|---|
| Investors that have significant influence over the Company | |
| Nissan Motor Corporation (“Nissan”) | Parent Company |
| Yulon Motor Co., Ltd. (“Yulon”) | Equity-method investor of the Company |
| 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 Trading Europe Ltd. | Same as above |
| Nissan Trading (Thailand) Co., Ltd. | Same as above |
| Nissan Trading China Co., Ltd. | Same as above |
| Nissan Motor Egypt S.A.E. | Same as above |
| Nissan Import Egypt, Ltd. | Same as above |
| PT. Nissan Motor Indonesia (“NMI”) | 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 International SA | Same as above |
| Nissan Vietnam Co., Ltd. | Substantial related party of Nissan |

(Continued)

| Related Party | Relationship with the Company |
|---|--------------------------------------|
| Nissan Philippines Inc. | Same as above |
| INFINITI Motor Co., Ltd. | Same as above |
| Renault Nissan Automotive India Private Ltd. | 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 |
| Singan Co., Ltd. | Same as above |
| Y-teks 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. | Subsidiary of Yulon |
| 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., Ltd. | Same as above |
| Le-Wen Co., Ltd. | Same as above |
| Visionary International Consulting Co., Ltd. | Same as above |
| Tai Yuen Textile Co., Ltd. | Same as above |
| San Long Industrial Co., Ltd. | Same as above |

(Continued)

| <u>Related Party</u> | <u>Relationship with the Company</u> |
|---|--|
| 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 |
| Shinshin Credit Corporation | Subsidiary of Taiwan Acceptance Corporation |
| 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. | Sub-subsidiary of Chen Long Co., Ltd. |
| Yuan Jyh Motor Co., Ltd. | Subsidiary of Yuan Lon Motor Co., Ltd. |
| 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. |
| Carnival Textile Industrial Corporation | Substantial related party of the Company |
| 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 Taoyuan Motor Co., Ltd. | Subsidiary of Luxgen Motor Co., Ltd. |
| Luxgen Taichung Motor Co., Ltd. | Same as above |
| Luxgen Kaohsiung Motor Co., Ltd. | Same as above |
| ROC-Keeper Industrial Ltd. | Subsidiary of ROC Spicer Co., Ltd. |

(Concluded)

b. Relate party transaction details

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) Operating transactions

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|----------------------|
| | <u>2017</u> | <u>2016</u> |
| <u>Sales</u> | | |
| Taiwan Acceptance Corporation | \$ 29,166,734 | \$ 30,841,817 |
| Investors that have significant influence | 20,736 | 40,202 |
| Other parties | <u>3,418,576</u> | <u>3,383,978</u> |
| | <u>\$ 32,606,046</u> | <u>\$ 34,265,997</u> |

(Continued)

For the Year Ended December 31

| | 2017 | 2016 |
|------------------------|------------------|-----------------|
| <u>Service revenue</u> | | |
| Autech Japan, Inc. | \$ 21,628 | \$ - |
| Nissan | <u>10,923</u> | <u>6,173</u> |
| | <u>\$ 32,551</u> | <u>\$ 6,173</u> |

(Concluded)

The Company designs and performs R&D of cars mainly for Autech Japan, Inc. Service revenue is recognized according to the related contracts.

For the Year Ended December 31

| | 2017 | 2016 |
|--------------------------------|------------------|------------------|
| <u>Other operating revenue</u> | | |
| Yulon | \$ 31,480 | \$ 12,392 |
| Other parties | <u>59,618</u> | <u>41,974</u> |
| | <u>\$ 91,098</u> | <u>\$ 54,366</u> |

Other operating revenue mainly arose from selling steel plates, steel and aluminum parts.

For the Year Ended December 31

| | 2017 | 2016 |
|---|----------------------|----------------------|
| <u>Operating costs - purchases</u> | | |
| Yulon | \$ 25,632,031 | \$ 28,288,848 |
| Investors that have significant influence | 24,148 | 79,553 |
| Other parties | <u>34,018</u> | <u>104,378</u> |
| | <u>\$ 25,690,197</u> | <u>\$ 28,472,779</u> |

Operating costs - TCA

| | | |
|--------------------|-------------------|-------------------|
| Nissan | \$ 463,879 | \$ 526,172 |
| Autech Japan, Inc. | <u>54,052</u> | <u>13,012</u> |
| | <u>\$ 517,931</u> | <u>\$ 539,184</u> |

The Company's TCA is the payment for technical cooperation agreements.

| | <u>For the Year Ended December 31</u> | |
|--------------------------------------|--|------------------|
| | 2017 | 2016 |
| <u>Operating expenses - rental</u> | | |
| Yulon | \$ 14,892 | \$ 15,073 |
| Ka-Plus Automobile Leasing Co., Ltd. | 9,041 | 8,284 |
| Other parties | <u>4,767</u> | <u>3,267</u> |
| | <u>\$ 28,700</u> | <u>\$ 26,624</u> |

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.

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2017 | 2016 |
| <u>Selling and marketing expenses</u> | | |
| Yu Chang Motor Co., Ltd. | \$ 350,981 | \$ 306,415 |
| Investors that have significant influence | 15,333 | 13,357 |
| Other parties | <u>1,788,563</u> | <u>1,530,268</u> |
| | <u>\$ 2,154,877</u> | <u>\$ 1,850,040</u> |

| | | |
|--|-------------------|-------------------|
| <u>General and administrative expenses</u> | | |
| Yulon Management Co., Ltd. | \$ 174,773 | \$ 174,997 |
| Investors that have significant influence | 21,336 | 27,535 |
| Other parties | <u>8,688</u> | <u>6,228</u> |
| | <u>\$ 204,797</u> | <u>\$ 208,760</u> |

| | | |
|---|------------------|------------------|
| <u>Research and development expenses</u> | | |
| Investors that have significant influence | \$ 60,693 | \$ 31,956 |
| Other parties | <u>27,720</u> | <u>22,862</u> |
| | <u>\$ 88,413</u> | <u>\$ 54,818</u> |

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

General and administrative expenses are payments to Yulon Management Co., Ltd. for consulting, labor dispatch and IT services.

Research and development expenses are payments for sample products, trial fee, and System.

Purchases of property, plant and equipment from related parties are detailed as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2017 | 2016 |
| Investors that have significant influence | \$ 2,673 | \$ - |
| Other parties | <u>10,767</u> | <u>8,417</u> |
| | <u>\$ 13,440</u> | <u>\$ 8,417</u> |

The Company sold property, plant and equipment from related parties are detailed as follows:

| | Proceeds | | Gain (Loss) on Disposal | |
|---|---------------------------------------|-----------------|---------------------------------------|-----------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2017 | 2016 | 2017 | 2016 |
| Investors that have significant influence | <u>\$ -</u> | <u>\$ 9,530</u> | <u>\$ -</u> | <u>\$ 1,721</u> |

2) Non-operating transactions

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2017 | 2016 |
| <u>Overseas business expenses</u> | | |
| Yulon Management Co., Ltd. | \$ 2,224 | \$ 2,474 |
| Other parties | <u>479</u> | <u>1,293</u> |
| | <u>\$ 2,703</u> | <u>\$ 3,767</u> |
| <u>Other losses</u> | | |
| Investors that have significant influence | <u>\$ 46</u> | <u>\$ 213</u> |

3) Receivables from related parties

| | December 31 | |
|--------------------------|--------------------|-----------------|
| | 2017 | 2016 |
| <u>Notes receivable</u> | | |
| Yushin Motor Co., Ltd. | \$ 1,235 | \$ 3,847 |
| Yuan Lon Motor Co., Ltd. | <u>377</u> | <u>327</u> |
| | <u>\$ 1,612</u> | <u>\$ 4,174</u> |

(Continued)

| | December 31 | |
|---|--------------------|-------------------|
| | 2017 | 2016 |
| <u>Trade receivables</u> | | |
| Taiwan Acceptance Corporation | \$ 412,802 | \$ 272,888 |
| Yulon | 382,335 | 157,046 |
| Investors that have significant influence | 8,528 | 9,256 |
| Subsidiary | 4,414 | 6,844 |
| Other parties | <u>94,060</u> | <u>99,064</u> |
| | <u>\$ 902,139</u> | <u>\$ 545,098</u> |
| | | (Concluded) |

Trade receivables from Yulon are mainly commodity tax paid by the Company on behalf of Yulon.

Trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

| | December 31 | |
|---|--------------------|---------------------|
| | 2017 | 2016 |
| <u>Notes payable</u> | | |
| Investors that have significant influence | <u>\$ -</u> | <u>\$ 1,536</u> |
| <u>Trade payables</u> | | |
| Yulon | \$ 419,184 | \$ 343,671 |
| Nissan | 84,896 | 151,755 |
| Other parties | <u>371,384</u> | <u>587,750</u> |
| | <u>\$ 875,464</u> | <u>\$ 1,083,176</u> |

Trade payables from related parties are unsecured.

5) Refundable deposits

| | December 31 | |
|---------------|--------------------|-------------------|
| | 2017 | 2016 |
| Yulon | \$ 96,770 | \$ 373,496 |
| Other parties | <u>800</u> | <u>800</u> |
| | <u>\$ 97,570</u> | <u>\$ 374,296</u> |

Refundable deposits are mainly for materials the Company paid to Yulon.

6) Prepayments

| | December 31 | |
|-------|--------------------|------------------|
| | 2017 | 2016 |
| Yulon | \$ <u>10,866</u> | \$ <u>11,995</u> |

Prepayments to Yulon are for office rental.

7) Receipts in advance

| | December 31 | |
|--------------------|--------------------|------------------|
| | 2017 | 2016 |
| Autech Japan, Inc. | \$ <u>113,331</u> | \$ <u>52,918</u> |

The Company designs and develops car models for Autech Japan, Inc., and according to the related contracts to receive payments in advance. Those service revenue receipts in advance are recognized as current and non-current liabilities according to the timing of revenue recognition.

c. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| Short-term employee benefits | \$ 44,525 | \$ 38,664 |
| Post-employment benefits | <u>2,205</u> | <u>1,931</u> |
| | <u>\$ 46,730</u> | <u>\$ 40,595</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 trade receivables to Taiwan Acceptance Corporation

The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to \$2,032,306 thousand and \$1,963,839 thousand for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Company had received \$1,997,141 thousand and \$1,928,674 thousand, respectively. Based on the related contract, the amount of receivables sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest intervals of the rates for trade receivable sold to Taiwan Acceptance Corporation for the years ended December 31, 2017 and 2016 were 2.32%-2.33% and 2.30%-2.37%, respectively; and the interest expenses recognized were \$1,019 thousand and \$1,034 thousand, respectively.

2) The Company signed a molds contract with Diamond Leasing Service Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The Company re-signed the molds contract in June 2016. The revised contract amount is \$1,021,491 thousand (excluding of tax), which was originally \$1,080,206 thousand (excluding of tax). The total newly-signed contract amount in 2016 November and December was \$262,139 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2017, the Company had already paid \$1,250,544 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 of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

3) The Company signed a molds contract with Shinshin Credit Corporation

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is \$56,828 thousand (excluding of tax). As of December 31, 2017, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Shinshin Credit Corporation, before the end of January of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

4) The Company signed a molds contract with Sinjang Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is \$56,176 thousand (excluding of tax). As of December 31, 2017, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Sinjang Co., Ltd., before the end of January of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

5) The Company signed a molds contract with Chan Yun Technology Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is \$27,744 thousand (excluding of tax). As of December 31, 2017, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Chan Yun Technology Co., Ltd., before the end of January of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the 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, 2017 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, 2017, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

| | December 31 | |
|---|--------------------|-----------------|
| | 2017 | 2016 |
| Acquisition of property, plant, and equipment | <u>\$ 180,059</u> | <u>\$ 3,518</u> |

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2017

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|-------------------------|---------------------------|----------------------|------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 847,522 | 4.5650 (RMB:NTD) | \$ 3,868,938 |
| USD | 39,010 | 29.760 (USD:NTD) | 1,160,938 |
| JPY | 351,864 | 0.2642 (JPY:NTD) | <u>92,962</u> |
| | | | <u>\$ 5,122,838</u> |
| Non-monetary items | | | |
| USD | 538,417 | 29.760 (USD:NTD) | <u>\$ 16,023,303</u> |

(Continued)

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|-----------------------------|
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| JPY | 179 | 0.2642 (JPY:NTD) | \$ <u>47</u> (Concluded) |

December 31, 2016

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 1,209,033 | 4.6170 (RMB:NTD) | \$ 5,582,106 |
| USD | 73,149 | 32.250 (USD:NTD) | 2,359,058 |
| JPY | 508,852 | 0.2756 (JPY:NTD) | <u>140,239</u> |
| | | | <u>\$ 8,081,403</u> |
| Non-monetary items | | | |
| USD | 473,767 | 32.250 (USD:NTD) | <u>\$ 15,281,346</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| JPY | 204 | 0.2756 (JPY:NTD) | <u>\$ 56</u> |

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

| | For the Year Ended December 31 | | | |
|-------------------------------|---------------------------------------|---|----------------------|---|
| | 2017 | | 2016 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| RMB | 4.5070 (RMB:NTD) | \$ (270,850) | 4.8490 (RMB:NTD) | \$ 61,981 |
| USD | 30.432 (USD:NTD) | (175,577) | 32.263 (USD:NTD) | (227,580) |
| JPY | 0.2713 (JPY:NTD) | <u>4,707</u> | 0.2972 (JPY:NTD) | <u>(15,229)</u> |
| | | <u>\$ (441,720)</u> | | <u>\$ (180,828)</u> |

30. 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 of 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 individual real 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.

TABLE 1

YULON NISSAN MOTOR COMPANY, LTD.

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)**

| Investor | Securities Type and Name | Relationship with the Investor | Financial Statement Account | December 31, 2017 | | | | Note |
|----------------------------------|--|--------------------------------|---|--------------------|-----------------|-------------------------|--|------|
| | | | | Stocks (Thousands) | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value (Note) | |
| Yulon Nissan Motor Company, Ltd. | Beneficiary certificates | - | Financial assets at fair value through profit or loss | 14,685 | \$ 200,082 | - | \$ 200,082 | |
| | PineBridge Taiwan Money Markey Found | | | | | | | |
| | The RSIT Enhanced Money Market | | | | | | | |
| | Nomura money market fund | | | | | | | |
| | Jih Sun money market fund | | | | | | | |
| | SinoPac TWD money market fund | | | | | | | |
| | Taishin Ta-Chong money market fund | | | | | | | |
| | PineBridge Emerging Market Asia-Pacific Strategic Bond | | | | | | | |
| | Fuh Hwa Global Fixed Income Fund of Fund | | | | | | | |
| | Nomura Global Equity Fund | | | | | | | |

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value as of December 31, 2017.

TABLE 2

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, 2017
(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|----------------------------------|---|---|--------------|--------------|--------------------|------------|--------------------|---------|--------------------|------------|-----------------|-------------------------|--------------------|---------------|
| | | | | | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount | Carrying Amount | Gain (Loss) on Disposal | Stocks (Thousands) | Amount (Note) |
| Yulon Nissan Motor Company, Ltd. | <u>Beneficiary certificates</u> | | | | | | | | | | | | | |
| | FSITC Taiwan Money Market Fund | Financial assets at fair value through profit or loss | - | - | 33,137 | \$ 500,000 | - | \$ - | 33,137 | \$ 503,305 | \$ 500,000 | \$ 3,305 | - | \$ - |
| | Mega Diamond Money Market | Financial assets at fair value through profit or loss | - | - | 24,249 | 300,000 | - | - | 24,249 | 301,887 | 300,000 | 1,887 | - | - |
| | Allianz Global Investors Taiwan Money Market Fund | Financial assets at fair value through profit or loss | - | - | 24,234 | 300,000 | - | - | 24,234 | 301,494 | 300,000 | 1,494 | - | - |
| | Taishin 1699 Money Market | Financial assets at fair value through profit or loss | - | - | 22,452 | 300,000 | - | - | 22,452 | 301,008 | 300,000 | 1,008 | - | - |
| | The RSIT Enhanced Money Market | Financial assets at fair value through profit or loss | - | - | 8,461 | 100,000 | 33,652 | 400,000 | 25,305 | 300,749 | 300,000 | 749 | 16,808 | 200,000 |
| | Taishin Ta-Chong Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 35,467 | 500,000 | 28,386 | 400,414 | 400,000 | 414 | 7,081 | 100,000 |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 27,202 | 400,000 | 20,412 | 300,243 | 300,000 | 243 | 6,790 | 100,000 |
| | Cathay Taiwan Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 24,252 | 300,000 | 24,252 | 300,070 | 300,000 | 70 | - | - |

Note: Shown at their original investment amount.

TABLE 3

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, 2017
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction (Note 1) | | Note/Accounts Payable or Receivable | | Note |
|----------------------------------|--|---------------------------------------|---------------------|---------------|-------------------------------|---|-------------------------------|---------------|-------------------------------------|---------------------|------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total (Note 2) | |
| Yulon Nissan Motor Company, Ltd. | Yulon | Equity-method investor of the Company | Purchase | \$ 25,632,031 | 99 | 4 days after sales for parts 3 days after sales for vehicles | \$ - | - | \$ (419,184) | (45) | - |
| | Taiwan Acceptance Corporation | Subsidiary of Yulon | Sale | 29,166,734 | 88 | Same as above | - | - | 412,802 | 44 | - |
| | Yu Sing Motor Co., Ltd. | Subsidiary of Yulon | Sale | 439,382 | 1 | 14 days after sales for parts | - | - | 7,591 | 1 | - |
| | Yuan Lon Motor Co., Ltd. | Substantial related party of Yulon | Sale | 438,021 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 12,944 | 1 | - |
| | Yu Chang Motor Co., Ltd. | Subsidiary of Yulon | Sale | 421,410 | 1 | 14 days after sales for parts | - | - | 9,814 | 1 | - |
| | Hui-Lian Motor Co., Ltd. | Substantial related party of Yulon | Sale | 353,849 | 1 | Same as above | - | - | 1,228 | - | - |
| | Empower Motor Co., Ltd. | Subsidiary of Yulon | Sale | 341,818 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 7,535 | 1 | - |
| | Chen Long Co., Ltd. | Substantial related party of Yulon | Sale | 317,221 | 1 | Same as above | - | - | 2,805 | - | - |
| | Yu Tang Motor Co., Ltd. | Substantial related party of Yulon | Sale | 308,267 | 1 | 14 days after sales for parts | - | - | 1,295 | - | - |
| | Yushin Motor Co., Ltd. | Subsidiary of Yulon | Sale | 254,372 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 1,836 | - | - |
| Tan Wang Co., Ltd. | Subsidiary of Yu Chang Motor Co., Ltd. | Sale | 101,916 | - | 14 days after sales for parts | - | - | 5,133 | 1 | - | |

Note 1: Transaction terms are based on agreements.

Note 2: Balances shown here are based on the carrying amount of the Company.

TABLE 4**YULON NISSAN MOTOR COMPANY, LTD.**

**TRADE RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate (Note 1) | 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 \$ 412,802 | 85.07 | \$ - | - | \$ 412,802 | \$ - |
| | Yulon | Equity-method investor of the Company | Trade receivables 382,335 | Note 2 | - | - | 342,421 | - |

Note 1: The turnover rate was based on the carrying amount of the Company.

Note 2: Trade receivables from Yulon are mainly commodity tax paid by the Company on behalf of Yulon, not arose from sales; therefore, turnover rate is not calculated.

TABLE 5

YULON NISSAN MOTOR COMPANY, LTD.

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2017 | | | Net Income of the Investee | Share of Profit | Note |
|--------------------------------------|--------------------------------------|------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------|--------|-----------------|----------------------------|-----------------|------|
| | | | | December 31, 2017 | December 31, 2016 | Stocks (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 | 100.00 | \$ 16,023,303 | \$ 6,225,205 | \$ 6,225,205 | Note |
| Yi-Jan Overseas Investment Co., Ltd. | Jetford Inc. | British Virgin Islands | Investment | US\$ 57,171 | US\$ 57,171 | 71,772 | 100.00 | US\$ 538,223 | US\$ 204,570 | US\$ 240,570 | Note |

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

TABLE 6

YULON NISSAN MOTOR COMPANY, LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB)

| 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, 2017 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 | % Ownership of Direct or Indirect Investment | Net Income of the Investee | Investment Gain (Note 2) | Carrying Amount as of December 31, 2017 | Accumulated Repatriation of Investment Income as of December 31, 2017 |
|--|--|-------------------------------|---|---|------------------|--------|---|--|-------------------------------|-----------------------------|---|---|
| | | | | | 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 | \$ 2,792,746 (US\$ 91,770) | \$ 454,997 (US\$ 14,951) | \$ 1,426,870 (US\$ 47,946) | \$ 2,971,576 (US\$ 94,087) |
| Aeolus Automobile Co., Ltd. | Consulting | 761,964 (RMB 194,400) | Note 1 | 533,109 (US\$ 16,812) | - | - | 533,109 (US\$ 16,812) | 33.12 | 17,205 (US\$ 565) | 5,698 (US\$ 187) | 729,383 (US\$ 24,509) | 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 | 13,798,035 (US\$ 453,405) | 5,519,214 (US\$ 181,362) | 12,375,179 (US\$ 415,833) | 24,606,052 (US\$ 788,646) |
| 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 | 188,861 (US\$ 6,206) | 84,987 (US\$ 2,793) | 719,927 (US\$ 24,191) | - |
| Dong Feng Yulon Used Cars Co., Ltd. (Note 4) | Valuation, purchase, renovation, rental, selling of used cars and training | 38,300 (RMB 10,000) | Note 1 | 18,804 (US\$ 593) | - | - | 18,804 (US\$ 593) | 49.00 | 12,942 (US\$ 425) | 6,342 (US\$ 208) | (6,146) (US\$ -207) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 | 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\$59,660) | \$12,716,774 |

Note 1: The Company indirectly owns these investees through Jetford 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.

Opinion

We have audited the accompanying consolidated financial statements of Yulon Nissan Motor Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Depreciation of Molds and Dies

In the application of IAS 16 "Property, Plant and Equipment", the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The Group depreciates molds and dies on the basis of the unit production method and examines the estimated units sold of each model according to the changes of the market semiannually as a basis to calculate amounts allocated to each mold and die. The depreciation of molds and dies in 2017 was \$450,244 thousand. The amount of depreciation of molds and dies is significant and estimates of units sold are highly dependent on

management's judgment. Therefore, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the consolidated financial statements, respectively; the related amounts are disclosed in Note 12 to the consolidated financial statements.

We obtained the information and documents regarding the estimated number of units of future sales by each model from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the transactions of molds and dies to verify original documents and cash flows and performed procedures such as field inventory and confirmation. Besides, we recalculated the amount of depreciation of molds and dies on the basis of estimated production volume in order to assess the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we compared whether there was a significant difference between the amended estimated number of units of future sales used in the consolidated financial statements of the last year and the actual sales units, so as to evaluate the appropriateness of management's estimation.

Provisions for Warranties

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the end of the reporting date. The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2017, the carrying amount of the provisions for warranties was \$151,484 thousand. Due to management's use of judgments in estimating the number of units of cars subject to warranties, warranty provisions recognized is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the consolidated financial statements, respectively; the related amounts are disclosed in Note 17 to the consolidated financial statements.

We obtained from management the information and documents regarding the estimated number of units of cars subject to warranty during the warranty period from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the ledgers of actual warranty expenditure this year to verify original documents and cash flows, and we recalculated the amount that should be provided for as warranty according to the warranty policy. Moreover, we compared whether there was a significant difference between the estimated number of units of cars subject to warranty used in the consolidated financial statements last year and the actual units of cars subject to warranty, so as to evaluate the appropriateness of management's estimation.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Wan-I Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

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, 2017 AND 2016

| ASSETS | 2017 | | 2016 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 6,822,021 | 26 | \$ 9,909,754 | 33 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 874,052 | 3 | 2,275,103 | 8 |
| Notes receivable - related parties (Notes 4 and 28) | 1,612 | - | 4,174 | - |
| Trade receivables (Notes 4 and 8) | 39,135 | - | 40,532 | - |
| Trade receivables - related parties (Notes 4 and 28) | 897,956 | 4 | 538,408 | 2 |
| Other receivables (Notes 4 and 8) | 125,753 | 1 | 57,622 | - |
| Inventories (Notes 4 and 9) | - | - | 2,509 | - |
| Prepayments (Note 28) | <u>23,184</u> | - | <u>15,853</u> | - |
| Total current assets | <u>8,783,713</u> | <u>34</u> | <u>12,843,955</u> | <u>43</u> |
| | | | | |
| NON-CURRENT ASSETS | | | | |
| Investments accounted for using equity method (Notes 4 and 11) | 15,251,359 | 59 | 14,659,211 | 49 |
| Property, plant and equipment (Notes 4, 12 and 28) | 1,479,225 | 6 | 1,703,040 | 6 |
| Computer software (Notes 4 and 13) | 20,882 | - | 17,407 | - |
| Deferred tax assets (Notes 4 and 22) | 127,060 | 1 | 128,364 | 1 |
| Other non-current assets (Notes 14 and 28) | <u>114,548</u> | - | <u>387,771</u> | 1 |
| Total non-current assets | <u>16,993,074</u> | <u>66</u> | <u>16,895,793</u> | <u>57</u> |
| | | | | |
| TOTAL | <u>\$ 25,776,787</u> | <u>100</u> | <u>\$ 29,739,748</u> | <u>100</u> |

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

| LIABILITIES AND EQUITY | 2017 | | 2016 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 15) | \$ - | - | \$ 3,630,000 | 12 |
| Notes payable - related parties (Note 28) | - | - | 1,536 | - |
| Trade payables | 55,385 | - | 33,967 | - |
| Trade payables - related parties (Note 28) | 875,464 | 3 | 1,083,176 | 4 |
| Other payables (Note 16) | 913,372 | 4 | 886,241 | 3 |
| Current tax liabilities (Notes 4 and 22) | 442,943 | 2 | 452,079 | 1 |
| Provisions (Notes 4, 5 and 17) | 192,278 | 1 | 196,036 | 1 |
| Other current liabilities (Notes 18 and 28) | 66,184 | - | 27,730 | - |
| Total current liabilities | <u>2,545,626</u> | <u>10</u> | <u>6,310,765</u> | <u>21</u> |
| NON-CURRENT LIABILITIES | | | | |
| Provisions (Notes 4, 5 and 17) | 62,931 | - | 65,387 | - |
| Credit balance of investments accounted for using equity method (Notes 4 and 11) | 6,146 | - | 12,826 | - |
| Net defined benefit liabilities (Notes 4 and 19) | 392,625 | 2 | 441,009 | 2 |
| Deferred tax liabilities (Notes 4 and 22) | 1,511,815 | 6 | 1,315,478 | 5 |
| Other non-current liabilities (Notes 18 and 28) | 63,020 | - | 39,940 | - |
| Total non-current liabilities | <u>2,036,537</u> | <u>8</u> | <u>1,874,640</u> | <u>7</u> |
| Total liabilities | <u>4,582,163</u> | <u>18</u> | <u>8,185,405</u> | <u>28</u> |
| EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY | | | | |
| Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks | <u>3,000,000</u> | <u>12</u> | <u>3,000,000</u> | <u>10</u> |
| Capital surplus | <u>6,129,405</u> | <u>24</u> | <u>6,129,405</u> | <u>20</u> |
| Retained earnings | | | | |
| Legal reserve | 4,519,914 | 17 | 4,056,853 | 14 |
| Special reserve | 788,877 | 3 | 788,877 | 3 |
| Unappropriated earnings | 7,131,446 | 28 | 7,541,356 | 25 |
| Total retained earnings | <u>12,440,237</u> | <u>48</u> | <u>12,387,086</u> | <u>42</u> |
| Other equity | <u>(375,018)</u> | <u>(2)</u> | <u>37,852</u> | <u>-</u> |
| Total equity | <u>21,194,624</u> | <u>82</u> | <u>21,554,343</u> | <u>72</u> |
| TOTAL | <u>\$ 25,776,787</u> | <u>100</u> | <u>\$ 29,739,748</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, 2017 AND 2016

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

| | 2017 | | 2016 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Note 28) | | | | |
| Sales (Note 4) | \$ 33,092,856 | 100 | \$ 34,792,566 | 100 |
| Service revenue (Note 4) | 32,551 | - | 6,173 | - |
| Other operating revenue | <u>96,367</u> | <u>-</u> | <u>61,707</u> | <u>-</u> |
| Total operating revenue | 33,221,774 | 100 | 34,860,446 | 100 |
| OPERATING COSTS (Notes 9, 21 and 28) | <u>27,037,319</u> | <u>82</u> | <u>29,813,797</u> | <u>86</u> |
| GROSS PROFIT | <u>6,184,455</u> | <u>18</u> | <u>5,046,649</u> | <u>14</u> |
| OPERATING EXPENSES (Notes 19, 21 and 28) | | | | |
| Selling and marketing expenses | 3,092,559 | 9 | 2,938,452 | 8 |
| General and administrative expenses | 343,218 | 1 | 395,067 | 1 |
| Research and development expenses | <u>672,305</u> | <u>2</u> | <u>525,674</u> | <u>2</u> |
| Total operating expenses | <u>4,108,082</u> | <u>12</u> | <u>3,859,193</u> | <u>11</u> |
| OTHER OPERATING INCOME AND EXPENSES (Notes 21 and 28) | <u>(685)</u> | <u>-</u> | <u>14,581</u> | <u>-</u> |
| PROFIT FROM OPERATIONS | <u>2,075,688</u> | <u>6</u> | <u>1,202,037</u> | <u>3</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Share of profit of associates | 6,071,238 | 18 | 4,904,037 | 14 |
| Interest income (Note 4) | 197,870 | 1 | 140,726 | 1 |
| Gain on financial assets at fair value through profit or loss, net | 4,052 | - | 10,103 | - |
| Other revenue | 2,000 | - | 1,541 | - |
| Gain (loss) on disposal of investments, net (Note 21) | 1,945 | - | (19,444) | - |
| Net foreign exchange loss (Note 21) | (325,205) | (1) | (600,689) | (2) |
| Interest expenses (Note 28) | (11,158) | - | (34,726) | - |
| Overseas business expenses (Note 28) | (10,915) | - | (13,259) | - |
| Other losses (Note 28) | <u>(2,094)</u> | <u>-</u> | <u>(4,222)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>5,927,733</u> | <u>18</u> | <u>4,384,067</u> | <u>13</u> |
| PROFIT BEFORE INCOME TAX | 8,003,421 | 24 | 5,586,104 | 16 |
| INCOME TAX EXPENSES (Notes 4 and 22) | <u>1,360,921</u> | <u>4</u> | <u>955,489</u> | <u>3</u> |
| NET PROFIT FOR THE YEAR | <u>6,642,500</u> | <u>20</u> | <u>4,630,615</u> | <u>13</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

| | 2017 | | 2016 | |
|--|----------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 19) | \$ 12,930 | - | \$ (20,226) | - |
| Share of other comprehensive loss of associates accounted for using equity method | (98) | - | (64) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22) | (2,181) | - | 3,449 | - |
| | <u>10,651</u> | <u>-</u> | <u>(16,841)</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | (412,870) | (1) | (1,264,609) | (3) |
| Other comprehensive loss for the year, net of income tax | <u>(402,219)</u> | <u>(1)</u> | <u>(1,281,450)</u> | <u>(3)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 6,240,281</u> | <u>19</u> | <u>\$ 3,349,165</u> | <u>10</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owner of the Company | <u>\$ 6,642,500</u> | <u>20</u> | <u>\$ 4,630,615</u> | <u>13</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owner of the Company | <u>\$ 62,240,281</u> | <u>187</u> | <u>\$ 3,349,165</u> | <u>10</u> |
| EARNINGS PER SHARE (Note 23) | | | | |
| Basic | <u>\$22.14</u> | | <u>\$15.44</u> | |
| Diluted | <u>\$22.14</u> | | <u>\$15.43</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, 2017 AND 2016

| | Capital Stock | Capital Surplus (Note 20) |
|---|----------------------|--------------------------------------|
| BALANCE AT JANUARY 1, 2016 | <u>\$ 3,000,000</u> | <u>\$ 6,129,405</u> |
| Appropriation of 2015 earnings | | |
| Legal reserve | - | - |
| Cash dividends distributed by the Company - NT\$12.5 per share | - | - |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| Net profit for the year ended December 31, 2016 | - | - |
| Other comprehensive loss for the year ended December 31, 2016, net of income tax | - | - |
| | <u>-</u> | <u>-</u> |
| Total comprehensive income (loss) for the year ended December 31, 2016 | <u>-</u> | <u>-</u> |
| BALANCE AT DECEMBER 31, 2016 | <u>3,000,000</u> | <u>6,129,405</u> |
| Appropriation of 2016 earnings | | |
| Legal reserve | - | - |
| Cash dividends distributed by the Company - NT\$22 per share | - | - |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| Net profit for the year ended December 31, 2017 | - | - |
| Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax | - | - |
| | <u>-</u> | <u>-</u> |
| Total comprehensive income (loss) for the year ended December 31, 2017 | <u>-</u> | <u>-</u> |
| BALANCE AT DECEMBER 31, 2017 | <u>\$ 3,000,000</u> | <u>\$ 6,129,405</u> |

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

| <u>Retained Earnings (Notes 20 and 22)</u> | | | <u>Other Equity</u> | |
|--|------------------------|--------------------------------|---|---------------------|
| <u>Legal Reserve</u> | <u>Special Reserve</u> | <u>Unappropriated Earnings</u> | <u>Exchange Differences on Translating Foreign Operations</u> | <u>Total Equity</u> |
| \$ 3,640,263 | \$ 788,877 | \$ 7,094,172 | \$ 1,302,461 | \$ 21,955,178 |
| 416,590 | - | (416,590) | - | - |
| - | - | (3,750,000) | - | (3,750,000) |
| 416,590 | - | (4,166,590) | - | (3,750,000) |
| - | - | 4,630,615 | - | 4,630,615 |
| - | - | (16,841) | (1,264,609) | (1,281,450) |
| - | - | 4,613,774 | (1,264,609) | 3,349,165 |
| 4,056,853 | 788,877 | 7,541,356 | 37,852 | 21,554,343 |
| 463,061 | - | (463,061) | - | - |
| - | - | (6,600,000) | - | (6,600,000) |
| 463,061 | - | (7,063,061) | - | (6,600,000) |
| - | - | 6,642,500 | - | 6,642,500 |
| - | - | 10,651 | (412,870) | (402,219) |
| - | - | 6,653,151 | (412,870) | 6,240,281 |
| \$ 4,519,914 | \$ 788,877 | \$ 7,131,446 | \$ (375,018) | \$ 21,194,624 |

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, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

| | 2017 | 2016 |
|--|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 8,003,421 | \$ 5,586,104 |
| Adjustments for: | | |
| Depreciation expenses | 483,121 | 442,764 |
| Amortization expenses | 5,280 | 4,941 |
| Gain on financial assets at fair value through profit or loss, net | (4,052) | (10,103) |
| Interest expense | 11,158 | 34,726 |
| Interest income | (197,870) | (140,726) |
| Share of profit of associates | (6,071,238) | (4,904,037) |
| Loss (gain) on disposal of property, plant and equipment, net | 685 | (14,581) |
| Loss (gain) on disposal of investment, net | (1,945) | 19,444 |
| Net foreign exchange loss | 46,992 | 522,564 |
| Net changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | 1,407,048 | (792,901) |
| Notes receivable - related parties | 2,562 | 1,965 |
| Trade receivables | 1,393 | 30,622 |
| Trade receivables - related parties | (359,577) | (41,556) |
| Other receivables | (81,761) | (2,545) |
| Inventories | 2,509 | 511 |
| Prepayments | (4,216) | 53 |
| Notes payable | - | (243,000) |
| Notes payable - related parties | (1,536) | 1,536 |
| Trade payables | 21,418 | (20,006) |
| Trade payables - related parties | 32,266 | (57,363) |
| Other payables | 28,325 | (15,701) |
| Other current liabilities | 38,454 | (4,777) |
| Provisions | (6,214) | 14,873 |
| Other non-current liabilities | 23,080 | 39,940 |
| Net defined benefit liabilities | (35,454) | (152,580) |
| Cash generated from operations | 3,343,849 | 300,167 |
| Interest paid | (12,352) | (34,714) |
| Income tax paid | (1,174,805) | (1,379,706) |
| Net cash generated from (used in) operating activities | <u>2,156,692</u> | <u>(1,114,253)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received | 5,168,975 | 5,123,304 |
| Interest received | 211,500 | 124,627 |
| Payments for property, plant and equipment (Note 24) | (505,559) | (281,772) |
| Proceeds from disposal of property, plant and equipment | 3,986 | 22,478 |
| Payments for computer software | (11,460) | (8,018) |
| Decrease in refundable deposits | 277,532 | 29,410 |
| Net cash generated from investing activities | <u>5,144,974</u> | <u>5,010,029</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

| | 2017 | 2016 |
|---|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | \$ (3,630,000) | \$ - |
| Payments of dividends | <u>(6,600,000)</u> | <u>(3,750,000)</u> |
| Cash used in financing activities | <u>(10,230,000)</u> | <u>(3,750,000)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | | |
| | <u>(159,399)</u> | <u>(372,854)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (3,087,733) | (227,078) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | |
| | <u>9,909,754</u> | <u>10,136,832</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 6,822,021</u> | <u>\$ 9,909,754</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, 2017 AND 2016

(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 focused on the research and development of vehicles and the sale of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales and 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 40% of its 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 26, 2018.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party

transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|--|
| Annual Improvements to IFRSs 2014-2016 Cycle | Note 2 |
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" | January 1, 2018 |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| 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 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers" | January 1, 2018 |
| 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 40 "Transfers of Investment Property" | January 1, 2018 |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration" | January 1, 2018 |

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

IFRS 9 “Financial Instruments” and related amendments

1) Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss.

The Group analyzed the facts and circumstances of its financial assets that existed at December 31, 2017 and performed an assessment of the impact of IFRS 9 on the classification and measurement of factored trade receivables. The factored trade receivables classified as loans and receivables and measured at amortized cost will be classified as at fair value through profit or loss under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and these investments are held within a business model whose objective is achieved by selling financial assets without recourse.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The application of IFRS 15 is not expected to have a material impact on the assets, liabilities and equity of the Group as of January 1, 2018.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assess the possible impact that the application of other standards and interpretations will not have any material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation” | January 1, 2019 (Note 2) |
| 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 |
| IFRS 16 “Leases” | January 1, 2019 (Note 3) |
| IFRS 17 “Insurance Contracts” | January 1, 2021 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 (Note 4) |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” | January 1, 2019 |
| IFRIC 23 “Uncertainty Over Income Tax Treatments” | January 1, 2019 |

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments and net defined benefit liabilities which are measured at the present values of the defined benefit obligation less than fair value of plan 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 based on 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 Group.

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

See Note 10 and Table 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

The financial statements of each individual group entity are presented in its functional currency, which is the currency of the primary economic environment 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; 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 unit sold. Other property, plant and equipment are depreciated by using straight-line method. The estimated sales volume, useful lives, residual values and depreciation method of an asset are reviewed at the end of each reporting period, 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.

Computer Software

Computer software is stated at cost, less subsequent accumulated amortization. The amortization is recognized on a straight-line basis over 3 years. The estimated useful, residual value and amortization method are reviewed at the end of each reporting period, 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. Please refer to Note 27 for the method of determining fair value.

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.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, 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.

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, such 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 commitments

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 commitments 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 by the management of the Group of the expenditure

required to settle the Group's obligation.

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 the title has 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 stockholder'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 Benefits

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 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 benefit expenses 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 it occurs. 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 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 the 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 stockholders 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 liabilities are settled or the assets are realized.

c. Current and deferred tax for the year

Current and deferred taxes 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 taxes 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. Property, plant and equipment - molds and dies

The Group depreciates molds and dies on the basis of a units of production method and examines the estimated units sold of each model according to the changes in the market semiannually as a basis to calculate amounts allocated to each mold and die.

b. Provisions for the expected cost of warranties

The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and the estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2017 and 2016, the carrying amounts of provisions for warranties were \$151,484 thousand and \$136,731 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Cash on hand | \$ - | \$ 20 |
| Checking accounts and demand deposits | 1,001,974 | 1,091,124 |
| Foreign currency demand deposits | 2,174,847 | 263,000 |
| Cash equivalents | | |
| Foreign currency time deposits | 3,027,090 | 7,991,372 |
| Time deposits | 6,900 | 206,900 |
| Repurchase agreements collateralized by bonds | <u>611,210</u> | <u>357,338</u> |
| | <u>\$ 6,822,021</u> | <u>\$ 9,909,754</u> |

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, 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 demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | 2017 | 2016 |
| Demand deposits and time deposits | 0.001%-4.10% | 0.001%-9.00% |
| Repurchase agreements collateralized by bonds | 1.85%-2.00% | 1.50% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|--|--------------------|---------------------|
| | 2017 | 2016 |
| <u>Financial assets held for trading</u> | | |
| Non-derivative financial assets | | |
| Mutual funds | <u>\$ 874,052</u> | <u>\$ 2,275,103</u> |

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| Trade receivables | <u>\$ 39,135</u> | <u>\$ 40,532</u> |
| Other receivables | | |
| Interest receivables | \$ 4,818 | \$ 18,448 |
| Disposal of mutual fund receivables | 98,000 | 17,198 |
| Others | <u>22,935</u> | <u>21,976</u> |
| | <u>\$ 125,753</u> | <u>\$ 57,622</u> |

a. 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 based on the past due days from invoice date was as follows:

| | <u>December 31</u> | |
|------------|--------------------|--------------------|
| | 2017 | 2016 |
| 0-60 days | \$ 39,135 | \$ 37,202 |
| 61-90 days | <u> -</u> | <u> 3,330</u> |
| | <u>\$ 39,135</u> | <u>\$ 40,532</u> |

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

| | <u>December 31</u> | |
|-----------|--------------------|-----------------|
| | 2017 | 2016 |
| 1-60 days | <u>\$ 3,088</u> | <u>\$ 4,907</u> |

b. 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

| | <u>December 31</u> | |
|-------|--------------------|-----------------|
| | 2017 | 2016 |
| Parts | <u>\$ -</u> | <u>\$ 2,509</u> |

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 was \$27,037,319 thousand, which included warranty costs of \$156,914 thousand and reversals of losses on inventory purchase commitments of \$20,967 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 was \$29,813,797 thousand, which included warranty costs of \$127,316 thousand and losses on inventory purchase commitments of \$1,197 thousand.

10. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

| Investor | Investee | Main Business | <u>% of Ownership</u> | |
|--------------------------------------|--------------------------------------|---------------|-----------------------|-------------|
| | | | <u>December 31</u> | <u>2017</u> |
| 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 |

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | |
|--|----------------------|----------------------|
| | 2017 | 2016 |
| <u>Material associate</u> | | |
| Guangzhou Aeolus Automobile Co., Ltd. | \$ 12,375,179 | \$ 11,354,893 |
| <u>Associates that are not individually material</u> | | |
| Aeolus Xiangyang Automobile Co., Ltd. | 1,426,870 | 1,917,714 |
| Aeolus Automobile Co., Ltd. | 729,383 | 739,065 |
| Shenzhen Lan You Technology Co., Ltd. | 719,927 | 647,539 |
| Dong Feng Yulon Used Cars Co., Ltd. | (6,146) | (12,826) |
| | <u>2,870,034</u> | <u>3,291,492</u> |
| Add: Credit balance of investments accounted for using equity method | <u>6,146</u> | <u>12,826</u> |
| | <u>2,876,180</u> | <u>3,304,318</u> |
| | <u>\$ 15,251,359</u> | <u>\$ 14,659,211</u> |

a. Material associate

| Company Name | Main Business | Location | Proportion of Ownership and Voting Rights | |
|---------------------------------------|---|--------------------|--|-------------|
| | | | December 31 | |
| | | | 2017 | 2016 |
| Guangzhou Aeolus Automobile Co., Ltd. | Developing and manufacturing of parts and vehicles and related services | Guangdong Province | 40% | 40% |

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 | |
|-------------------------|--------------------|------------------|
| | 2017 | 2016 |
| Current assets | \$ 9,860,622 | \$ 8,611,439 |
| Non-current assets | 34,726,040 | 34,273,813 |
| Current liabilities | (9,729,550) | (13,511,540) |
| Non-current liabilities | <u>(3,919,165)</u> | <u>(986,480)</u> |

(Continued)

| | December 31 | |
|----------------------------------|----------------------|----------------------|
| | 2017 | 2016 |
| Equity | <u>\$ 30,937,947</u> | <u>\$ 28,387,232</u> |
| Equity attributable to the Group | <u>\$ 12,375,179</u> | <u>\$ 11,354,893</u> |
| Carrying amount | <u>\$ 12,375,179</u> | <u>\$ 11,354,893</u> |

(Concluded)

| | For the Year Ended December 31 | |
|--|---------------------------------------|----------------------|
| | 2017 | 2016 |
| Revenue | <u>\$ 33,245,993</u> | <u>\$ 29,463,547</u> |
| Net profit for the year | <u>\$ 13,798,035</u> | <u>\$ 11,211,237</u> |
| Dividends received from Guangzhou Aeolus Automobile Co., Ltd. | <u>\$ 4,262,688</u> | <u>\$ 5,123,304</u> |

b. Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| The Group's share of: | | |
| Net profit for the year | \$ 552,024 | \$ 419,542 |
| Other comprehensive loss | <u>(98)</u> | <u>(64)</u> |
| Total comprehensive income for the year | <u>\$ 551,926</u> | <u>\$ 419,478</u> |

c. Other information

The investments accounted for using equity method and the share of profit of those investments for the years ended December 31, 2017 and 2016 was based on the associates' financial statements audited by the auditors for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

| | Molds | Dies | Computer Equipment | Other Equipment | Transportation Equipment | Machinery and Equipment | Leasehold Improvements | Tools | Total |
|-----------------------|---------------------|-------------------|-----------------------|--------------------|-----------------------------|----------------------------|---------------------------|-----------------|---------------------|
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, | | | | | | | | | |
| 2016 | \$ 4,463,975 | \$ 854,314 | \$ 78,353 | \$ 151,582 | \$ 8,408 | \$ 15,784 | \$ 8,903 | \$ 5,694 | \$ 5,587,013 |
| Additions | 288,885 | - | 6,144 | 21,802 | 10,034 | - | - | - | 326,865 |
| Disposals | - | - | (7,427) | (13,774) | - | (9,122) | - | - | (30,323) |
| Reversal | <u>(109,395)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(109,395)</u> |
| Balance at | | | | | | | | | |
| December 31, 2016 | <u>\$ 4,643,465</u> | <u>\$ 854,314</u> | <u>\$ 77,070</u> | <u>\$ 159,610</u> | <u>\$ 18,442</u> | <u>\$ 6,662</u> | <u>\$ 8,903</u> | <u>\$ 5,694</u> | <u>\$ 5,774,160</u> |

(Continued)

| | Molds | Dies | Computer Equipment | Other Equipment | Transportation Equipment | Machinery and Equipment | Leasehold Improvements | Tools | Total |
|--|-----------------------|---------------------|-----------------------|---------------------|-----------------------------|----------------------------|---------------------------|-------------------|-----------------------|
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2016 | \$ (2,950,144) | \$ (527,202) | \$ (68,095) | \$ (79,339) | \$ (3,118) | \$ (14,985) | \$ (2,394) | \$ (5,505) | \$ (3,650,782) |
| Depreciation expenses | (333,085) | (79,186) | (4,309) | (22,528) | (1,624) | (170) | (1,772) | (90) | (442,764) |
| Disposals | - | - | 7,350 | 5,954 | - | 9,122 | - | - | 22,426 |
| Balance at December 31, 2016 | <u>\$ (3,283,229)</u> | <u>\$ (606,388)</u> | <u>\$ (65,054)</u> | <u>\$ (95,913)</u> | <u>\$ (4,742)</u> | <u>\$ (6,033)</u> | <u>\$ (4,166)</u> | <u>\$ (5,595)</u> | <u>\$ (4,071,120)</u> |
| Carrying amount, net, December 31, 2016 | <u>\$ 1,360,236</u> | <u>\$ 247,926</u> | <u>\$ 12,016</u> | <u>\$ 63,697</u> | <u>\$ 13,700</u> | <u>\$ 629</u> | <u>\$ 4,737</u> | <u>\$ 99</u> | <u>\$ 1,703,040</u> |
| Cost | | | | | | | | | |
| Balance at January 1, 2017 | \$ 4,643,465 | \$ 854,314 | \$ 77,070 | \$ 159,610 | \$ 18,442 | \$ 6,662 | \$ 8,903 | \$ 5,694 | \$ 5,774,160 |
| Additions | 182,418 | 46,121 | 9,509 | 18,574 | 4,650 | - | - | - | 261,272 |
| Reclassification | - | - | 2,705 | - | - | - | - | - | 2,705 |
| Disposals | (1,050) | - | (6,701) | (545) | (4,070) | - | (4,510) | - | (16,876) |
| Balance at December 31, 2017 | <u>\$ 4,824,833</u> | <u>\$ 900,435</u> | <u>\$ 82,583</u> | <u>\$ 177,639</u> | <u>\$ 19,022</u> | <u>\$ 6,662</u> | <u>\$ 4,393</u> | <u>\$ 5,694</u> | <u>\$ 6,021,261</u> |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2017 | \$ (3,283,229) | \$ (606,388) | \$ (65,054) | \$ (95,913) | \$ (4,742) | \$ (6,033) | \$ (4,166) | \$ (5,595) | \$ (4,071,120) |
| Depreciation expenses | (373,151) | (77,093) | (5,756) | (22,856) | (2,353) | (168) | (1,688) | (56) | (483,121) |
| Disposals | 1,050 | - | 6,668 | 530 | 226 | - | 3,731 | - | 12,205 |
| Balance at December 31, 2017 | <u>\$ (3,655,330)</u> | <u>\$ (683,481)</u> | <u>\$ (64,142)</u> | <u>\$ (118,239)</u> | <u>\$ (6,869)</u> | <u>\$ (6,201)</u> | <u>\$ (2,123)</u> | <u>\$ (5,651)</u> | <u>\$ (4,542,036)</u> |
| Carrying amount, net, December 31, 2017 | <u>\$ 1,169,503</u> | <u>\$ 216,954</u> | <u>\$ 18,441</u> | <u>\$ 59,400</u> | <u>\$ 12,153</u> | <u>\$ 461</u> | <u>\$ 2,270</u> | <u>\$ 43</u> | <u>\$ 1,479,225</u> |

(Concluded)

The above reversal is due to the decline of the original cost of molds.

There were no signs of impairment losses of assets for the years ended December 31, 2017 and 2016; therefore, the Group did not assess for impairment.

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

| | |
|------------------------------------|---------------|
| Computer equipment | 3 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 improvements | 5 years |
| Tools | 2 to 5 years |

13. COMPUTER SOFTWARE

| | Amount |
|--------------------------------------|-------------------|
| <u>Cost</u> | |
| Balance at January 1, 2016 | \$ 20,685 |
| Additions | 8,018 |
| Disposals | <u>(1,414)</u> |
| Balance at December 31, 2016 | <u>\$ 27,289</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2016 | \$ (6,355) |
| Amortization expenses | (4,941) |
| Disposals | <u>1,414</u> |
| Balance at December 31, 2016 | <u>\$ (9,882)</u> |
| Carrying amount at December 31, 2016 | <u>\$ 17,407</u> |
| <u>Cost</u> | |
| Balance at January 1, 2017 | \$ 27,289 |
| Reclassification | (2,705) |
| Additions | 11,460 |
| Disposals | <u>(10,742)</u> |
| Balance at December 31, 2017 | <u>\$ 25,302</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2017 | \$ (9,882) |
| Amortization expenses | (5,280) |
| Disposals | <u>10,742</u> |
| Balance at December 31, 2017 | <u>\$ (4,420)</u> |
| Carrying amount at December 31, 2017 | <u>\$ 20,882</u> |

There were no signs of impairment losses of assets for the years ended December 31, 2017 and 2016; therefore, the Group did not assess for impairment.

14. OTHER NON-CURRENT ASSETS

| | December 31 | |
|-------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Refundable deposits (Note 28) | \$ 98,575 | \$ 376,107 |
| Prepayments for equipment | <u>15,973</u> | <u>11,664</u> |
| | <u>\$ 114,548</u> | <u>\$ 387,771</u> |

15. SHORT-TERM BORROWINGS

| | December 31 | |
|-------------------------|-----------------------|---------------------|
| | 2017 | 2016 |
| Unsecured bank loans | \$ <u> -</u> | \$ <u>3,630,000</u> |
| Range of interest rates | - | 0.89%-1.06% |

16. OTHER PAYABLES

| | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Advertising and promotion fees | \$ 452,021 | \$ 480,992 |
| Salaries and bonuses | 344,476 | 316,620 |
| Others | <u>116,875</u> | <u>88,629</u> |
| | <u>\$ 913,372</u> | <u>\$ 886,241</u> |

17. PROVISIONS

| | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Current | | |
| Inventory purchase commitments | \$ 103,725 | \$ 124,692 |
| Warranties | <u>88,553</u> | <u>71,344</u> |
| | <u>\$ 192,278</u> | <u>\$ 196,036</u> |
| Non-current | | |
| Warranties | <u>\$ 62,931</u> | <u>\$ 65,387</u> |

| | Inventory Purchase Commitments | Warranties | Total |
|--|---|-------------------|-------------------|
| Balance at January 1, 2016 | \$ 123,495 | \$ 123,055 | \$ 246,550 |
| Additional provisions recognized | 1,197 | 127,316 | 128,513 |
| Paid | <u>-</u> | <u>(113,640)</u> | <u>(113,640)</u> |
| Balance at December 31, 2016 | <u>\$ 124,692</u> | <u>\$ 136,731</u> | <u>\$ 261,423</u> |
| Balance at January 1, 2017 | \$ 124,692 | \$ 136,731 | \$ 261,423 |
| Additional provisions recognized (reversed) | (20,967) | 156,914 | 135,947 |
| Paid | <u>-</u> | <u>(142,161)</u> | <u>(142,161)</u> |
| Balance at December 31, 2017 | <u>\$ 103,725</u> | <u>\$ 151,484</u> | <u>\$ 255,209</u> |

The provisions for losses on inventory purchase commitments represent the present obligations of which the unavoidable costs for meeting the obligations under the commitments exceed the economic benefits expected to be received from the commitments.

The provisions for warranty claims represent 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 warranties under the local sale of goods legislation. The estimate had been made on the basis of historical warranty trends.

18. OTHER LIABILITIES

| | December 31 | |
|-------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| Current | | |
| Receipts in advance (Note 28) | \$ 59,052 | \$ 21,719 |
| Withholding | 3,107 | 2,000 |
| Others | <u>4,025</u> | <u>4,011</u> |
| | <u>\$ 66,184</u> | <u>\$ 27,730</u> |
| Non-current | | |
| Receipts in advance (Note 28) | <u>\$ 63,020</u> | <u>\$ 39,940</u> |

19. 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, 2017 and 2016 was \$14,440 thousand and \$14,060 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 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| Selling and marketing expenses | \$ 4,924 | \$ 4,731 |
| General and administrative expenses | 4,385 | 4,322 |
| Research and development expenses | 4,875 | 4,766 |
| Non-operating expenses | <u>256</u> | <u>241</u> |
| | <u>\$ 14,440</u> | <u>\$ 14,060</u> |

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. as of December 31, 2017; 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 6 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 consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2017 | 2016 |
| Present value of funded defined benefit obligation | \$ 597,831 | \$ 609,866 |
| Fair value of plan assets | <u>(205,206)</u> | <u>(168,857)</u> |
| Deficit | <u>\$ 392,625</u> | <u>\$ 441,009</u> |
| Net defined benefit liabilities | <u>\$ 392,625</u> | <u>\$ 441,009</u> |

Movements in net defined benefit liabilities (assets) were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|--|--|---|
| Balance at January 1, 2016 | <u>\$ 583,971</u> | <u>\$ (10,608)</u> | <u>\$ 573,363</u> |
| Service cost | | | |
| Current service cost | 5,251 | - | 5,251 |
| Past service cost | 4,608 | - | 4,608 |
| Net interest expense (income) | <u>8,578</u> | <u>(207)</u> | <u>8,371</u> |
| Recognized in profit or loss | <u>18,437</u> | <u>(207)</u> | <u>18,230</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (906) | (906) |
| Actuarial loss - changes in demographic assumptions | 6,372 | - | 6,372 |
| Actuarial loss - changes in financial assumptions | 22,425 | - | 22,425 |
| Actuarial gain - experience adjustments | <u>(7,665)</u> | <u>-</u> | <u>(7,665)</u> |
| Recognized in other comprehensive income | <u>21,132</u> | <u>(906)</u> | <u>20,226</u> |
| Contributions from the employer | <u>-</u> | <u>(157,136)</u> | <u>(157,136)</u> |
| Benefits paid | <u>-</u> | <u>-</u> | <u>-</u> |
| Liabilities extinguished on settlement | <u>(13,674)</u> | <u>-</u> | <u>(13,674)</u> |
| Balance at December 31, 2016 | <u>\$ 609,866</u> | <u>\$ (168,857)</u> | <u>\$ 441,009</u> |
| Balance at January 1, 2017 | <u>\$ 609,866</u> | <u>\$ (168,857)</u> | <u>\$ 441,009</u> |
| Service cost | | | |
| Current service cost | 5,305 | - | 5,305 |
| Past service cost | - | - | - |
| Net interest expense (income) | <u>6,861</u> | <u>(1,936)</u> | <u>4,925</u> |
| Recognized in profit or loss | <u>12,166</u> | <u>(1,936)</u> | <u>10,230</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 139 | 139 |
| Actuarial loss - changes in demographic assumptions | 9,243 | - | 9,243 |
| Actuarial loss - changes in financial assumptions | - | - | - |
| Actuarial loss - experience adjustments | <u>(22,312)</u> | <u>-</u> | <u>(22,312)</u> |
| Recognized in other comprehensive income | <u>(13,069)</u> | <u>139</u> | <u>(12,930)</u> |
| Contributions from the employer | <u>-</u> | <u>(41,920)</u> | <u>(41,920)</u> |
| Benefits paid | <u>(7,368)</u> | <u>7,368</u> | <u>-</u> |
| Liabilities extinguished on settlement | <u>(3,764)</u> | <u>-</u> | <u>(3,764)</u> |
| Balance at December 31, 2017 | <u>\$ 597,831</u> | <u>\$ (205,206)</u> | <u>\$ 392,625</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 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| Selling and marketing expenses | \$ 2,522 | \$ 4,595 |
| General and administrative expenses | 3,277 | 7,158 |
| Research and development expenses | 4,046 | 5,993 |
| Non-operating expenses | <u>385</u> | <u>484</u> |
| | <u>\$ 10,230</u> | <u>\$ 18,230</u> |

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 | |
|-------------------------------------|--------------------|-------------|
| | 2017 | 2016 |
| Discount rate(s) | 1.125% | 1.125% |
| 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 | |
|-------------------------------------|--------------------|--------------------|
| | 2017 | 2016 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (14,238)</u> | <u>\$ (15,158)</u> |
| 0.25% decrease | <u>\$ 14,762</u> | <u>\$ 15,733</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 14,313</u> | <u>\$ 15,257</u> |
| 0.25% decrease | <u>\$ (13,879)</u> | <u>\$ (14,779)</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 | |
|--|--------------------|-----------------|
| | 2017 | 2016 |
| The expected contributions to the plan for the next year | <u>\$ 6,584</u> | <u>\$ 6,454</u> |
| The average duration of the defined benefit obligation | 9.8 years | 10.3 years |

20. EQUITY

a. Capital surplus

| | December 31 | |
|--|---------------------|---------------------|
| | 2017 | 2016 |
| Excess from spin-off | \$ 5,986,507 | \$ 5,986,507 |
| Generated from investments accounted for using equity method | <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 capital stock (limited to a certain percentage of the Company's capital surplus and to once a year).

The capital surplus from investments accounted for using equity method may not be used for any purpose.

b. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 30, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on the distribution of employees' compensation after the amendment, refer to Note 21-e. on employees' compensation.

The Company operates in a mature and stable industry. In determining the distribution of 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. The amount of dividends, which can be cash dividends or stock dividends, is formulated to be less than 90% of net income, though the final issued ratios would be proposed and approved by the board of directors. Cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

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 capital surplus. 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 capital surplus, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2016 and 2015 had been approved in the stockholders' meetings on June 26, 2017 and June 30, 2016, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|----------------|---|-------------|---|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2016 | 2015 | 2016 | 2015 |
| Legal reserve | \$ 463,061 | \$ 416,590 | | |
| Cash dividends | 6,600,000 | 3,750,000 | \$ 22.0 | \$ 12.5 |

21. NET PROFIT

a. Other operating income and expenses

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2017 | 2016 |
| Gains on disposal of property, plant and equipment | \$ 104 | \$ 14,669 |
| Losses on disposal of property, plant and equipment | <u>(789)</u> | <u>(88)</u> |
| Net (loss) profit | <u>\$ (685)</u> | <u>\$ 14,581</u> |

b. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Property, plant and equipment | \$ 483,121 | \$ 442,764 |
| Computer software | <u>5,280</u> | <u>4,941</u> |
| | <u>\$ 488,401</u> | <u>\$ 447,705</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 450,244 | \$ 412,271 |
| Operating expenses | <u>32,877</u> | <u>30,493</u> |
| | <u>\$ 483,121</u> | <u>\$ 442,764</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 5,280</u> | <u>\$ 4,941</u> |

c. Technical cooperation agreement

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Operating costs | <u>\$ 517,931</u> | <u>\$ 539,184</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 benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------------|
| | 2017 | 2016 |
| Post-employment benefits (Note 19) | | |
| Defined contribution plans | \$ 14,440 | \$ 14,060 |
| Defined benefit plans | <u>10,230</u> | <u>18,230</u> |
| | <u>24,670</u> | <u>32,290</u> |
| Termination benefits | - | 4,550 |
| Labor and health insurance | 37,940 | 36,573 |
| Salary | 592,325 | 556,366 |
| Other employee benefits | <u>53,527</u> | <u>49,178</u> |
| | <u>683,792</u> | <u>646,667</u> |
| Total employee benefits expense | <u>\$ 708,462</u> | <u>\$ 678,957</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | <u>\$ 409</u> | <u>\$ 632</u> |
| Operating expenses | <u>\$ 707,412</u> | <u>\$ 677,600</u> |
| Non-operating expenses | <u>\$ 641</u> | <u>\$ 725</u> |

e. Employees' compensation

The Company accrued employees' compensation at the rates no less than 0.1% of net profit before income tax, and employees' compensation. The employees' compensation for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------|
| | 2017 | 2016 |
| Employees' compensation | 0.10% | 0.10% |

Amount

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------|
| | 2017 | 2016 |
| | Cash | Cash |
| Employees' compensation | \$ 8,011 | \$ 5,773 |

If there is a change in amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange, net

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|---------------------|
| | 2017 | 2016 |
| Foreign exchange gains | \$ 202,872 | \$ 190,631 |
| Foreign exchange losses | <u>(528,077)</u> | <u>(791,320)</u> |
| Net loss | <u>\$ (325,205)</u> | <u>\$ (600,689)</u> |

g. Gain or loss on disposal of investments, net

| | For the Year Ended December 31 | |
|-----------------------------------|---------------------------------------|--------------------|
| | 2017 | 2016 |
| Gains on disposal of investments | \$ 14,047 | \$ 3,124 |
| Losses on disposal of investments | <u>(12,102)</u> | <u>(22,568)</u> |
| Net profit (loss) | <u>\$ 1,945</u> | <u>\$ (19,444)</u> |

22. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| Current tax | | |
| In respect of the current year | \$ 1,167,101 | \$ 1,210,994 |
| Adjustments for prior years | (1,640) | 896 |
| Deferred tax | | |
| In respect of the current year | <u>195,460</u> | <u>(256,401)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 1,360,921</u> | <u>\$ 955,489</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2017 | 2016 |
| Profit before tax | <u>\$ 8,003,421</u> | <u>\$ 5,586,104</u> |
| Income tax expense calculated at the statutory rate (17%) | \$ 1,360,582 | \$ 949,637 |
| Adjustments of expenses in determining taxable income | 2,999 | 6,674 |
| Tax-exempt income | (1,020) | (1,718) |
| Adjustments for prior years' tax | <u>(1,640)</u> | <u>896</u> |
| Income tax expense recognized in profit or loss | <u>\$ 1,360,921</u> | <u>\$ 955,489</u> |

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$22,422 thousand and \$266,790 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2017 | 2016 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Share of other comprehensive income of subsidiary accounted for using equity method | \$ 17 | \$ 11 |
| Remeasurement on defined benefit plans | <u>(2,198)</u> | <u>3,438</u> |
| Recognized in other comprehensive income (loss) | <u>\$ (2,181)</u> | <u>\$ 3,449</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 442,943</u> | <u>\$ 452,079</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

| | 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 | \$ 97,753 | \$ (25,939) | \$ 3,438 | \$ 75,252 |
| Impairment losses | 13,005 | (13,005) | - | - |
| Provisions for warranties | 20,919 | 2,326 | - | 23,245 |
| Provisions for loss on inventory purchase commitments | 20,995 | 203 | - | 21,198 |
| Unrealized exchange loss, net | - | 8,602 | - | 8,602 |
| Share of other comprehensive loss of associates accounted for using equity method | <u>56</u> | <u>-</u> | <u>11</u> | <u>67</u> |
| | <u>\$ 152,728</u> | <u>\$ (27,813)</u> | <u>\$ 3,449</u> | <u>\$ 128,364</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporarily difference | | | | |
| Shares of profit of associates | \$1,592,467 | \$ (276,989) | \$ - | \$1,315,478 |
| Unrealized exchange gain, net | <u>7,225</u> | <u>(7,225)</u> | <u>-</u> | <u>-</u> |
| | <u>\$1,599,692</u> | <u>\$ (284,214)</u> | <u>\$ -</u> | <u>\$1,315,478</u> |

For the year ended December 31, 2017

| | 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 | \$ 75,252 | \$ (6,026) | \$ (2,198) | \$ 67,028 |
| Provisions for warranties | 23,245 | 2,508 | - | 25,753 |
| Provisions for loss on inventory purchase commitments | 21,198 | (3,564) | - | 17,634 |
| Unrealized exchange loss, net | 8,602 | 7,959 | - | 16,561 |
| Share of other comprehensive loss of associates accounted for using equity method | <u>67</u> | <u>-</u> | <u>17</u> | <u>84</u> |
| | <u>\$ 128,364</u> | <u>\$ 877</u> | <u>\$ (2,181)</u> | <u>\$ 127,060</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporarily difference | | | | |
| Shares of profit of associates | <u>\$1,315,478</u> | <u>\$ 196,337</u> | <u>\$ -</u> | <u>\$1,511,815</u> |
| e. Integrated income tax | | | | |

| | <u>December 31</u> | |
|---|--|-----------------------------|
| | <u>2017</u> | <u>2016</u> |
| Unappropriated earnings | | |
| Generated on and after January 1, 1998 | Note | <u>\$ 7,541,356</u> |
| Stockholder-imputed credits accounts (“ICA”) | Note | <u>\$ 674,872</u> |
| | <u>For the Year Ended December 31</u> | |
| | <u>2017</u> | <u>2016 (Actual)</u> |
| Creditable ratio for distribution of earnings | Note | 14.92% |

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected.

f. Income tax assessments

The Company's tax returns through 2014 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

The earnings and weighted-average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2017 | 2016 |
| Earnings used in the computation of basic and diluted earnings per share | <u>\$ 6,642,500</u> | <u>\$ 4,630,615</u> |

Weighted-average Number of Common Stock Outstanding (in Thousands of Shares)

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------|
| | 2017 | 2016 |
| Weighted-average number of common stock in computation of basic earnings per share | 300,000 | 300,000 |
| Effect of potential dilutive common stock: | | |
| Employees' compensation | <u>22</u> | <u>38</u> |
| Weighted average number of common stock used in the computation of diluted earnings per share | <u>300,022</u> | <u>300,038</u> |

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

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Group entered into the following non-cash investing activities:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2017 | 2016 |
| <u>Investing activities affecting both cash and non-cash transactions</u> | | |
| Increase in property, plant and equipment | \$ 261,272 | \$ 326,865 |
| Net changes of prepayment for equipment | 4,309 | 8,784 |
| Net changes of trade payables | <u>239,978</u> | <u>(53,877)</u> |
| Cash paid for acquisition of property, plant and equipment | <u>\$ 505,559</u> | <u>\$ 281,772</u> |

25. OPERATING LEASE ARRANGEMENTS

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:

| | December 31 | |
|--|--------------------|------------------|
| | 2017 | 2016 |
| No later than 1 year | \$ 1,871 | \$ 10,474 |
| Later than 1 year and not later than 3 years | <u>-</u> | <u>1,871</u> |
| | <u>\$ 1,871</u> | <u>\$ 12,345</u> |

26. 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.

27. FINANCIAL INSTRUMENTS

a. 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.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------|---------|---------|------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Non-derivative financial assets held for trading | \$ 874,052 | \$ - | \$ - | \$ 874,052 |

December 31, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|--|--------------|---------|---------|--------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Non-derivative financial assets held for trading | \$ 2,275,103 | \$ - | \$ - | \$ 2,275,103 |

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

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

The fair value of mutual funds traded on active market is the net asset value on the 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.

c. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | 2017 | 2016 |
| <u>Financial assets</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | \$ 874,052 | \$ 2,275,103 |
| Loans and receivables (Note 1) | 7,886,477 | 10,550,490 |
| <u>Financial liabilities</u> | | |
| Amortized cost (Note 2) | 1,499,745 | 5,318,300 |

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

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

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, and borrowings. The Group's Corporate Treasury function coordinates access to domestic and international financial markets, and 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 30.

Sensitivity analysis

The Group is mainly exposed to the RMB, U.S. dollar 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.

| | RMB | | U.S. Dollar | | Japan Yen | |
|-------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Gain (loss) | \$ (228,573) | \$ (305,839) | \$ (58,047) | \$ (117,953) | \$ (4,646) | \$ (7,009) |

These were mainly attributable to the exposure outstanding on RMB-, U.S. dollars- and Japanese yen-denominated 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 | |
|-------------------------------|--------------------|--------------|
| | 2017 | 2016 |
| Fair value interest rate risk | | |
| Financial assets | \$ 3,643,271 | \$ 8,452,615 |
| Financial liabilities | - | 500,000 |
| Cash flows interest rate risk | | |
| Financial assets | 3,178,750 | 1,457,119 |
| Financial liabilities | - | 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, 2017 would increase/decrease by \$7,947 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

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, 2016 would decrease/increase by \$4,182 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits, time deposits and short-term borrowings.

2) Credit risk

The Group's concentration of credit risk of 48% and 54% in total trade receivables as of December 31, 2017 and 2016, 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, 2017 and 2016, the available unutilized borrowings facilities were \$5,700,000 thousand and \$2,070,000 thousand, respectively.

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, 2017

| | 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 | - | <u>\$ 1,382,883</u> | <u>\$ 62,984</u> | <u>\$ 53,878</u> |

December 31, 2016

| | 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 | - | \$ 1,349,976 | \$ 92,693 | \$ 244,436 |
| Floating interest rate instrument | 0.89 | 3,132,720 | - | - |
| Fixed interest rate instrument | 1.06 | <u>500,174</u> | <u>-</u> | <u>-</u> |
| | | <u>\$ 4,982,870</u> | <u>\$ 92,693</u> | <u>\$ 244,436</u> |

28. 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”) | Parent company |
| Yulon Motor Co., Ltd. (“Yulon”) | Equity-method investor of the Company |
| Other parties | |
| Nissan Trading Co., Ltd. | Subsidiary of Nissan |
| Nissan Trading Europe Ltd. | Same as above |
| Nissan Trading (Thailand) Co., Ltd. | Same as above |
| Nissan Trading China Co., Ltd. | Same as above |
| Nissan Motor Egypt S.A.E. | Same as above |
| Nissan Import Egypt, Ltd. | Same as above |
| PT. Nissan Motor Indonesia (“NMI”) | Same as above |
| Nissan Mexicana, S.A. De C. V. | Same as above |
| Nissan Motor (Thailand) Co., Ltd. | Subsidiary of Nissan |
| PT Nissan Motor Distributor Indonesia | Same as above |
| Nissan North America, Inc. | Same as above |
| Nissan International SA | Same as above |
| Nissan Vietnam Co., Ltd. | Substantial related party of Nissan |
| Nissan Philippines Inc. | Same as above |
| INFINITI Motor Co., Ltd. | Same as above |
| Renault Nissan Automotive India Private Ltd. | 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 |
| Singan Co., Ltd. | Same as above |
| Y-teks 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 |
| Univation Motor Philippines, Inc. | Substantial related party of Yulon |
| Uni Calsonic Corporation | Same as above |

(Continued)

| Related Party | Relationship with the Group |
|--|--|
| China Ogihara Corporation | Substantial related party of Yulon |
| 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., Ltd. | Same as above |
| Le-Wen Co., Ltd. | Same as above |
| Visionary International Consulting Co., Ltd. | Same as above |
| Tai Yuen Textile Co., Ltd. | Same as above |
| San Long Industrial 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. | Subsidiary of Singan Co., Ltd. |
| Shinshin Credit Corporation | Subsidiary of Taiwan Acceptance Corporation |
| 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. | Sub-subsidiary of Chen Long Co., Ltd. |
| Yuan Jyh Motor Co., Ltd. | Subsidiary of Yuan Lon Motor Co., Ltd. |
| 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. |
| Carnival Textile Industrial Corporation | Substantial related party of the Company |
| 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 Taoyuan Motor Co., Ltd. | Subsidiary of Luxgen Motor Co., Ltd. |
| Luxgen Taichung Motor Co., Ltd. | Same as above |
| Luxgen Kaohsiung Motor Co., Ltd. | Same as above |
| ROC-Keeper Industrial Ltd. | Subsidiary of ROC Spicer Co., Ltd. |

(Concluded)

b. Relate party transaction details

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) Operating transactions

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------|
| | 2017 | 2016 |
| <u>Sales</u> | | |
| Taiwan Acceptance Corporation | \$ 29,166,734 | \$ 30,841,817 |
| Investors that have significant influence | 20,736 | 40,202 |
| Other parties | <u>3,418,576</u> | <u>3,383,978</u> |
| | <u>\$ 32,606,046</u> | <u>\$ 34,265,997</u> |
| <u>Service revenue</u> | | |
| Autech Japan, Inc. | \$ 21,628 | \$ - |
| Nissan | <u>10,923</u> | <u>6,173</u> |
| | <u>\$ 32,551</u> | <u>\$ 6,173</u> |

The Company designs and performs R&D of cars mainly for Autech Japan, Inc. Service revenue is recognized according to the related contracts.

| | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| <u>Other operating revenue</u> | | |
| Yulon | \$ 31,480 | \$ 12,392 |
| Other parties | <u>59,618</u> | <u>41,974</u> |
| | <u>\$ 91,098</u> | <u>\$ 54,366</u> |

Other operating revenue mainly arose from selling steel plates, steel and aluminum parts.

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------|
| | 2017 | 2016 |
| <u>Operating costs - purchases</u> | | |
| Yulon | \$ 25,632,031 | \$ 28,288,848 |
| Investors that have significant influence | 24,148 | 79,553 |
| | | (Continued) |

For the Year Ended December 31

| | 2017 | 2016 |
|----------------------------------|----------------------|----------------------------------|
| Other parties | <u>34,018</u> | <u>104,378</u> |
| | <u>\$ 25,690,197</u> | <u>\$ 28,472,779</u> |
| <u>Operating costs - TCA</u> | | |
| Nissan | \$ 463,879 | \$ 526,172 |
| Autech Japan, Inc. | <u>54,052</u> | <u>13,012</u> |
| | <u>\$ 517,931</u> | <u>\$ 539,184</u> (Concluded) |

The Company's TCA is the payment for technical cooperation agreements.

For the Year Ended December 31

| | 2017 | 2016 |
|--------------------------------------|------------------|------------------|
| <u>Operating expenses - rental</u> | | |
| Yulon | \$ 14,892 | \$ 15,073 |
| Ka-Plus Automobile Leasing Co., Ltd. | 9,041 | 8,284 |
| Other parties | <u>4,767</u> | <u>3,267</u> |
| | <u>\$ 28,700</u> | <u>\$ 26,624</u> |

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

| | 2017 | 2016 |
|---|---------------------|----------------------------------|
| Selling and marketing expenses | | |
| Yu Chang Motor Co., Ltd. | \$ 350,981 | \$ 306,415 |
| Investors that have significant influence | 15,333 | 13,357 |
| Other parties | 1,788,563 | 1,530,268 |
| | <u>\$ 2,154,877</u> | <u>\$ 1,850,040</u> |
| General and administrative expenses | | |
| Yulon Management Co., Ltd. | \$ 174,773 | \$ 174,997 |
| Investors that have significant influence | 21,336 | 27,535 |
| Other parties | 8,688 | 6,228 |
| | <u>\$ 204,797</u> | <u>\$ 208,760</u> (Continued) |

For the Year Ended December 31

| | 2017 | 2016 |
|---|------------------|---------------------------------|
| Research and development expenses | | |
| Investors that have significant influence | \$ 60,693 | \$ 31,956 |
| Other parties | 27,720 | 22,862 |
| | <u>\$ 88,413</u> | <u>\$ 54,818</u> (Concluded) |

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

General and administrative expenses are payments to Yulon Management Co., Ltd. for consulting, labor dispatch and IT services.

Research and development expenses are payments for sample products, trial fee, and System.

Purchases of property, plant and equipment from related parties are detailed as follows:

| | <u>For the Year Ended December 31</u> | |
|---|--|-----------------|
| | 2017 | 2016 |
| Investors that have significant influence | \$ 2,673 | \$ - |
| Other parties | <u>10,767</u> | <u>8,417</u> |
| | <u>\$ 13,440</u> | <u>\$ 8,417</u> |

The Group sold property, plant and equipment to related parties are detailed as follows:

| | <u>Proceeds</u> | | <u>Gain (Loss) on Disposal</u> | |
|---|----------------------------------|-----------------|---------------------------------------|-----------------|
| | <u>For the Year Ended</u> | | <u>For the Year Ended</u> | |
| | <u>December 31</u> | | <u>December 31</u> | |
| | 2017 | 2016 | 2017 | 2016 |
| Investors that have significant influence | <u>\$ -</u> | <u>\$ 9,530</u> | <u>\$ -</u> | <u>\$ 1,721</u> |

2) Non-operating transactions

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2017 | 2016 |
| <u>Overseas business expenses</u> | | |
| Yulon Management Co., Ltd. | \$ 2,224 | \$ 2,474 |
| Other parties | <u>479</u> | <u>1,293</u> |
| | <u>\$ 2,703</u> | <u>\$ 3,767</u> |
| <u>Other losses</u> | | |
| Investors that have significant influence | <u>\$ 46</u> | <u>\$ 213</u> |

3) Receivables from related parties

| | December 31 | |
|---|--------------------|-------------------|
| | 2017 | 2016 |
| <u>Notes receivable</u> | | |
| Yushin Motor Co., Ltd. | \$ 1,235 | \$ 3,847 |
| Yuan Lon Motor Co., Ltd. | <u>377</u> | <u>327</u> |
| | <u>\$ 1,612</u> | <u>\$ 4,174</u> |
| <u>Trade receivables</u> | | |
| Taiwan Acceptance Corporation | \$ 412,802 | \$ 272,888 |
| Yulon | 382,335 | 157,046 |
| Investors that have significant influence | 8,528 | 9,256 |
| Other parties | <u>94,291</u> | <u>99,218</u> |
| | <u>\$ 897,956</u> | <u>\$ 538,408</u> |

Trade receivables from Yulon are mainly commodity tax paid by the Company on behalf of Yulon.

Trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

| | December 31 | |
|---|-----------------------|-----------------------|
| | 2017 | 2016 |
| <u>Notes payable</u> | | |
| Investors that have significant influence | \$ <u> -</u> | \$ <u> 1,536</u> |
| <u>Trade payables</u> | | |
| Yulon | \$ 419,184 | \$ 343,671 |
| Nissan | 84,896 | 151,755 |
| Other parties | <u>371,384</u> | <u>587,750</u> |
| | <u>\$ 875,464</u> | <u>\$ 1,083,176</u> |

Trade payables from related parties are unsecured.

5) Refundable deposits

| | December 31 | |
|---------------|--------------------|-------------------|
| | 2017 | 2016 |
| Yulon | \$ 96,770 | \$ 373,496 |
| Other parties | <u>800</u> | <u>800</u> |
| | <u>\$ 97,570</u> | <u>\$ 374,296</u> |

Refundable deposits are mainly for materials the Company paid to Yulon.

6) Prepayments

| | December 31 | |
|-------|--------------------|------------------|
| | 2017 | 2016 |
| Yulon | <u>\$ 10,866</u> | <u>\$ 11,995</u> |

Prepayments to Yulon are for office rental.

7) Receipts in advance

| | December 31 | |
|--------------------|--------------------|------------------|
| | 2017 | 2016 |
| Autech Japan, Inc. | <u>\$ 113,331</u> | <u>\$ 52,918</u> |

The Company designs and develops car models for Autech Japan, Inc., and according to the related contracts to receive payments in advance. Those service revenue receipts in

advance are recognized as current and non-current liabilities according to the timing of revenue recognition.

c. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2017 | 2016 |
| Short-term employee benefits | \$ 44,525 | \$ 38,664 |
| Post-employment benefits | <u>2,205</u> | <u>1,931</u> |
| | <u>\$ 46,730</u> | <u>\$ 40,595</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 trade receivables to Taiwan Acceptance Corporation

The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to \$2,032,306 thousand and \$1,963,839 thousand for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Company had received \$1,997,141 thousand and \$1,928,674 thousand, respectively. Based on the related contract, the amount of receivables sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest intervals of the rates for trade receivable sold to Taiwan Acceptance Corporation for the years ended December 31, 2017 and 2016 were 2.32%-2.33% and 2.30%-2.37%, respectively; and the interest expenses recognized were \$1,019 thousand and \$1,034 thousand, respectively.

2) The Company signed a molds contract with Diamond Leasing Service Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The Company re-signed the molds contract in June 2016. The revised contract amount is \$1,021,491 thousand (excluding of tax), which was originally \$1,080,206 thousand (excluding of tax). The total newly-signed contract amount in 2016 November and December was \$262,139 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2017, the Company had already paid \$1,250,544 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 of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

3) The Company signed a molds contract with Shinshin Credit Corporation

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is \$56,828 thousand (excluding of tax). As of December 31, 2017, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Shinshin Credit Corporation, before the end of January of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid

for molds in the prior year.

- 4) The Company signed a molds contract with Sinjang Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is \$56,176 thousand (excluding of tax). As of December 31, 2017, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Sinjang Co., Ltd., before the end of January of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

- 5) The Company signed a molds contract with Chan Yun Technology Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is \$27,744 thousand (excluding of tax). As of December 31, 2017, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Chan Yun Technology Co., Ltd., before the end of January of every year, the amount of \$2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 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, 2017, no buy-back of vehicles has occurred.

c. Unrecognized commitments

| | December 31 | |
|---|--------------------|-----------------|
| | 2017 | 2016 |
| Acquisition of property, plant, and equipment | <u>\$ 180,059</u> | <u>\$ 3,518</u> |

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2017

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|-------------------------|---------------------------|----------------------|------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 847,522 | 4.5650 (RMB:NTD) | \$ 3,868,938 |
| USD | 39,010 | 29.760 (USD:NTD) | 1,160,938 |
| RMB | 154,288 | 0.1530 (RMB:USD) | 702,520 |
| JPY | 351,864 | 0.2642 (JPY:NTD) | <u>92,962</u> |
| | | | <u>\$ 5,825,358</u> |

Financial liabilities

| | | | |
|----------------|-----|------------------|--------------|
| Monetary items | | | |
| JPY | 179 | 0.2642 (JPY:NTD) | <u>\$ 47</u> |

December 31, 2016

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|-------------------------|---------------------------|----------------------|------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 1,209,033 | 4.617 (RMB:NTD) | \$ 5,582,106 |
| USD | 73,149 | 32.250 (USD:NTD) | 2,359,058 |
| RMB | 114,975 | 0.1442 (RMB:USD) | 534,692 |
| JPY | 508,852 | 0.2756 (JPY:NTD) | <u>140,239</u> |

\$ 8,616,095
(Continued)

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------|------------------|-----------------------------|
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| JPY | 204 | 0.2756 (JPY:NTD) | \$ <u>56</u> (Concluded) |

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

| For the Year Ended December 31 | | | | |
|--------------------------------|------------------|--|------------------|--|
| 2017 | | | 2016 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| RMB | 4.5070 (RMB:NTD) | \$ (270,850) | 4.8490 (RMB:NTD) | \$ 61,981 |
| RMB | 0.1480 (RMB:USD) | 116,515 | 0.1506 (RMB:USD) | (419,861) |
| USD | 30.432 (USD:NTD) | (175,577) | 32.263 (USD:NTD) | (227,580) |
| JPY | 0.2713 (JPY:NTD) | <u>4,707</u> | 0.2972 (JPY:NTD) | <u>(15,229)</u> |
| | | <u>\$ (325,205)</u> | | <u>\$ (600,689)</u> |

31. 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 of 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 individual real 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)

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.

32. 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 continuing operations by reportable segments.

| | Revenue | | Profit Before Tax | |
|--|-----------------------------------|----------------------|-----------------------------------|---------------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2017 | 2016 | 2017 | 2016 |
| Vehicle segment | \$ 29,274,487 | \$ 30,964,440 | \$ 1,878,694 | \$ 1,229,719 |
| Part segment | 3,818,369 | 3,828,126 | 642,416 | 621,461 |
| Investment segment | - | - | 6,060,323 | 4,890,778 |
| Other segment | 128,918 | 67,880 | (429,231) | (650,805) |
| | <u>\$ 33,221,774</u> | <u>\$ 34,860,446</u> | 8,152,202 | 6,091,153 |
| (Loss) gain on disposal of property, plant and equipment | | | (685) | 14,581 |
| Interest income | | | 197,870 | 140,726 |
| Gain on financial assets at fair value through profit or loss, net | | | 4,052 | 10,103 |
| Foreign exchange loss, net | | | (325,205) | (600,689) |
| Interest expense | | | (11,158) | (34,726) |
| Gain (loss) on disposal of investments, net | | | 1,945 | (19,444) |
| Central administration costs | | | (15,600) | (15,600) |
| Profit before tax | | | <u>\$ 8,003,421</u> | <u>\$ 5,586,104</u> |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2017 and 2016.

Segment profit represents the profit earned by each segment, excluding the allocation of gain (loss) on disposal of property, plant and equipment, net, interest income, gain on fair value changes of financial assets at fair value through profit or loss, net, foreign exchange loss, net, interest expense, gain (loss) on disposal of investments, net, central administration costs 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 | |
|---------------------------|----------------------|----------------------|
| | 2017 | 2016 |
| Vehicle segment | \$ 1,392,785 | \$ 1,617,002 |
| Part segment | 28,623 | 43,908 |
| Investment segment | 15,251,359 | 14,659,211 |
| Other segment | <u>57,817</u> | <u>42,130</u> |
| | 16,730,584 | 16,362,251 |
| Unallocated assets | <u>9,046,203</u> | <u>13,377,497</u> |
| Consolidated total assets | <u>\$ 25,776,787</u> | <u>\$ 29,739,748</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 | |
|----------|---------------------------------------|----------------------|
| | 2017 | 2016 |
| Vehicles | \$ 29,274,487 | \$ 30,964,440 |
| Parts | 3,818,369 | 3,828,126 |
| Others | <u>128,918</u> | <u>67,880</u> |
| | <u>\$ 33,221,774</u> | <u>\$ 34,860,446</u> |

d. Geographical information

The Group's revenues from external customers by location of operations are detailed below.

| | For the Year Ended December 31 | |
|----------|---------------------------------------|----------------------|
| | 2017 | 2016 |
| Domestic | \$ 33,040,470 | \$ 34,653,329 |
| Overseas | <u>181,304</u> | <u>207,117</u> |
| | <u>\$ 33,221,774</u> | <u>\$ 34,860,446</u> |

The Group's non-current assets by location of assets are detailed below.

| | December 31 | |
|----------|---------------------|---------------------|
| | 2017 | 2016 |
| Domestic | \$ 1,614,655 | \$ 2,108,218 |
| Overseas | <u>-</u> | <u>-</u> |
| | <u>\$ 1,614,655</u> | <u>\$ 2,108,218</u> |

e. Information about major customers

The Group's revenue from major customers is detailed below.

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------|
| | 2017 | 2016 |
| Certain customer from the vehicle segment | <u>\$ 29,166,734</u> | <u>\$ 30,841,817</u> |

No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

TABLE 1

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

| Investor | Securities Type and Name | Relationship with the Investor | Financial Statement Account | December 31, 2017 | | | | Note |
|----------------------------------|--|--------------------------------|---|--------------------|-----------------|-------------------------|--|------|
| | | | | Stocks (Thousands) | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value (Note) | |
| Yulon Nissan Motor Company, Ltd. | <u>Beneficiary certificates</u> | | | | | | | |
| | PineBridge Taiwan Money Markey Found | - | Financial assets at fair value through profit or loss | 14,685 | \$ 200,082 | - | \$ 200,082 | |
| | The RSIT Enhanced Money Market | - | Financial assets at fair value through profit or loss | 16,808 | 200,046 | - | 200,046 | |
| | Nomura money market fund | - | Financial assets at fair value through profit or loss | 6,781 | 110,002 | - | 110,002 | |
| | Jih Sun money market fund | - | Financial assets at fair value through profit or loss | 6,790 | 100,003 | - | 100,003 | |
| | SinoPac TWD money market fund | - | Financial assets at fair value through profit or loss | 7,223 | 100,002 | - | 100,002 | |
| | Taishin Ta-Chong money market fund | - | Financial assets at fair value through profit or loss | 7,081 | 100,002 | - | 100,002 | |
| | PineBridge Emerging Market Asia-Pacific Strategic Bond | - | Financial assets at fair value through profit or loss | 2,713 | 31,246 | - | 31,246 | |
| | Fuh Hwa Global Fixed Income Fund of Fund | - | Financial assets at fair value through profit or loss | 1,347 | 20,189 | - | 20,189 | |
| | Nomura Global Equity Fund | - | Financial assets at fair value through profit or loss | 800 | 12,480 | - | 12,480 | |

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value as of December 31, 2017.

TABLE 2

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, 2017
(In Thousands of New Taiwan Dollars)**

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|----------------------------------|---|---|--------------|--------------|--------------------|------------|--------------------|---------|--------------------|------------|-----------------|-------------------------|--------------------|---------------|
| | | | | | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount | Carrying Amount | Gain (Loss) on Disposal | Stocks (Thousands) | Amount (Note) |
| Yulon Nissan Motor Company, Ltd. | <u>Beneficiary certificates</u> | | | | | | | | | | | | | |
| | FSITC Taiwan Money Market Fund | Financial assets at fair value through profit or loss | - | - | 33,137 | \$ 500,000 | - | \$ - | 33,137 | \$ 503,305 | \$ 500,000 | \$ 3,305 | - | \$ - |
| | Mega Diamond Money Market | Financial assets at fair value through profit or loss | - | - | 24,249 | 300,000 | - | - | 24,249 | 301,887 | 300,000 | 1,887 | - | - |
| | Allianz Global Investors Taiwan Money Market Fund | Financial assets at fair value through profit or loss | - | - | 24,234 | 300,000 | - | - | 24,234 | 301,494 | 300,000 | 1,494 | - | - |
| | Taishin 1699 Money Market | Financial assets at fair value through profit or loss | - | - | 22,452 | 300,000 | - | - | 22,452 | 301,008 | 300,000 | 1,008 | - | - |
| | The RSIT Enhanced Money Market | Financial assets at fair value through profit or loss | - | - | 8,461 | 100,000 | 33,652 | 400,000 | 25,305 | 300,749 | 300,000 | 749 | 16,808 | 200,000 |
| | Taishin Ta-Chong Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 35,467 | 500,000 | 28,386 | 400,414 | 400,000 | 414 | 7,081 | 100,000 |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 27,202 | 400,000 | 20,412 | 300,243 | 300,000 | 243 | 6,790 | 100,000 |
| | Cathay Taiwan Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 24,252 | 300,000 | 24,252 | 300,070 | 300,000 | 70 | - | - |

Note: Shown at their original investment amount.

TABLE 3

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, 2017
(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction (Note 1) | | Note/Accounts Payable or Receivable | | Note |
|----------------------------------|--|---------------------------------------|---------------------|---------------|-------------------------------|---|-------------------------------|---------------|-------------------------------------|---------------------|------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total (Note 2) | |
| Yulon Nissan Motor Company, Ltd. | Yulon | Equity-method investor of the Company | Purchase | \$ 25,632,031 | 99 | 4 days after sales for parts 3 days after sales for vehicles | \$ - | - | \$ (419,184) | (45) | - |
| | Taiwan Acceptance Corporation | Subsidiary of Yulon | Sale | 29,166,734 | 88 | Same as above | - | - | 412,802 | 44 | - |
| | Yu Sing Motor Co., Ltd. | Subsidiary of Yulon | Sale | 439,382 | 1 | 14 days after sales for parts | - | - | 7,591 | 1 | - |
| | Yuan Lon Motor Co., Ltd. | Substantial related party of Yulon | Sale | 438,021 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 12,944 | 1 | - |
| | Yu Chang Motor Co., Ltd. | Subsidiary of Yulon | Sale | 421,410 | 1 | 14 days after sales for parts | - | - | 9,814 | 1 | - |
| | Hui-Lian Motor Co., Ltd. | Substantial related party of Yulon | Sale | 353,849 | 1 | Same as above | - | - | 1,228 | - | - |
| | Empower Motor Co., Ltd. | Subsidiary of Yulon | Sale | 341,818 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 7,535 | 1 | - |
| | Chen Long Co., Ltd. | Substantial related party of Yulon | Sale | 317,221 | 1 | Same as above | - | - | 2,805 | - | - |
| | Yu Tang Motor Co., Ltd. | Substantial related party of Yulon | Sale | 308,267 | 1 | 14 days after sales for parts | - | - | 1,295 | - | - |
| | Yushin Motor Co., Ltd. | Subsidiary of Yulon | Sale | 254,372 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 1,836 | - | - |
| Tan Wang Co., Ltd. | Subsidiary of Yu Chang Motor Co., Ltd. | Sale | 101,916 | - | 14 days after sales for parts | - | - | 5,133 | 1 | - | |

Note 1: Transaction terms are based on agreements.

Note 2: Balances shown here are based on the carrying amount of the Company.

TABLE 4

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**TRADE RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate (Note 1) | 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 \$ 412,802 | 85.07 | \$ - | - | \$ 412,802 | \$ - |
| | Yulon | Equity-method investor of the Company | Trade receivables 382,335 | Note 2 | - | - | 342,421 | - |

Note 1: The turnover rate was based on the carrying amount of the Company.

Note 2: Trade receivables from Yulon are mainly commodity tax paid by the Company on behalf of Yulon, not arose from sales; therefore, turnover rate is not calculated.

TABLE 5

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2017 | | | Net Income of the Investee | Share of Profit | Note |
|--------------------------------------|--------------------------------------|------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------|--------|-----------------|----------------------------|-----------------|------|
| | | | | December 31, 2017 | December 31, 2016 | Stocks (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 | 100.00 | \$ 16,023,303 | \$ 6,225,205 | \$ 6,225,205 | Note |
| Yi-Jan Overseas Investment Co., Ltd. | Jetford Inc. | British Virgin Islands | Investment | US\$ 57,171 | US\$ 57,171 | 71,772 | 100.00 | US\$ 538,223 | US\$ 204,570 | US\$ 240,570 | Note |

Note 1: 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 2: Eliminated.

TABLE 6

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)**

| 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. | Jetford Inc. | 1 | Trade receivables - related parties Reduction of general and administrative expenses | \$ 4,414 19,979 | - - | - - |

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.

TABLE 7

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB)

| 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, 2017 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 | % Ownership of Direct or Indirect Investment | Net Income of the Investee | Investment Gain (Note 2) | Carrying Amount as of December 31, 2017 | Accumulated Repatriation of Investment Income as of December 31, 2017 |
|--|--|-------------------------------|---|---|------------------|--------|---|--|-------------------------------|-----------------------------|---|---|
| | | | | | 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 | \$ 2,792,746 (US\$ 91,770) | \$ 454,997 (US\$ 14,951) | \$ 1,426,870 (US\$ 47,946) | \$ 2,971,576 (US\$ 94,087) |
| Aeolus Automobile Co., Ltd. | Consulting | 761,964 (RMB 194,400) | Note 1 | 533,109 (US\$ 16,812) | - | - | 533,109 (US\$ 16,812) | 33.12 | 17,205 (US\$ 565) | 5,698 (US\$ 187) | 729,383 (US\$ 24,509) | 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 | 13,798,035 (US\$ 453,405) | 5,519,214 (US\$ 181,362) | 12,375,179 (US\$ 415,833) | 24,606,052 (US\$ 788,646) |
| 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 | 188,861 (US\$ 6,206) | 84,987 (US\$ 2,793) | 719,927 (US\$ 24,191) | - |
| Dong Feng Yulon Used Cars Co., Ltd. (Note 4) | Valuation, purchase, renovation, rental, selling of used cars and training | 38,300 (RMB 10,000) | Note 1 | 18,804 (US\$ 593) | - | - | 18,804 (US\$ 593) | 49.00 | 12,942 (US\$ 425) | 6,342 (US\$ 208) | (6,146) (US\$ -207) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 | 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\$59,660) | \$12,716,774 |

Note 1: The Company indirectly owns these investees through Jetford 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 2016 | Fiscal year 2017 | Amount | % |
| Current Assets | \$ 12,843,955 | \$ 8,783,713 | (\$ 4,060,242) | (32) |
| Long-Term Equity Investments | 14,659,211 | 15,251,359 | 592,148 | 4 |
| Fixed Assets | 1,703,040 | 1,479,225 | (223,815) | (13) |
| Other Assets | 533,542 | 262,490 | (271,052) | (51) |
| Total Assets | 29,739,748 | 25,776,787 | (3,962,961) | (13) |
| Current Liabilities | 6,310,765 | 2,545,626 | (3,765,139) | (60) |
| Other Liabilities | 1,874,640 | 2,036,537 | 161,897 | 9 |
| Total Liabilities | 8,185,405 | 4,582,163 | (3,603,242) | (44) |
| Share Capital | 3,000,000 | 3,000,000 | 0 | 0 |
| Capital Reserves | 6,129,405 | 6,129,405 | 0 | 0 |
| Retained Earnings | 12,387,086 | 12,440,237 | 53,151 | 1 |
| Other adjustment items shareholders' equity | 37,852 | (375,018) | (412,870) | (1,091) |
| Total share holder equity | 21,554,343 | 21,194,624 | (359,719) | (2) |

Variance Analysis

The reduction of current assets were because of fund redemption with current cash paid to cash dividends and repayment of short-term loans.

The reduction of other assets was because of reduced refund of some guarantee deposit.

The reduction of total amount of current liabilities and liabilities was because of the full repayment of short-term loans.

The reduction of other shareholder's equity was caused by the fluctuations in foreign currency exchange from USD to NTD.

2. Financial Performance

(1) Comparison and Analysis of Financial Performance

Unit : NTD thousand

| Item | Fiscal Year | | Increase (Decrease) Amount | Changes(%) |
|---|---------------------|---------------------|----------------------------------|------------|
| | Fiscal year 2016 | Fiscal year 2017 | | |
| Gross Revenue | \$ 34,880,118 | \$ 33,247,970 | (1,632,148) | (5) |
| Less: Sales Returns Sales Allowances | <u>19,672</u> | <u>26,196</u> | 6,524 | 33 |
| Net Operating Revenue | 34,860,446 | 33,221,774 | (1,638,672) | (5) |
| Operating Cost | <u>29,813,797</u> | <u>27,037,319</u> | (2,776,478) | (9) |
| Operating margin | 5,046,649 | 6,184,455 | 1,137,806 | 23 |
| Operating Expenses | <u>3,844,612</u> | <u>4,108,767</u> | 264,155 | 7 |
| Operating Profit | 1,202,037 | 2,075,688 | 873,651 | 73 |
| Non-Operating Revenue and Gain | 5,056,407 | 6,277,105 | 1,220,698 | 24 |
| Non-Operating Expense and Loss | <u>672,340</u> | <u>349,372</u> | (322,968) | (48) |
| Income Before Income Tax | 5,586,104 | 8,003,421 | 2,417,317 | 43 |
| Income Tax Expense | <u>955,489</u> | <u>1,360,921</u> | 405,432 | 42 |
| Net Income | <u>\$ 4,630,615</u> | <u>\$ 6,642,500</u> | 2,011,885 | 43 |

Variance Analysis :

- (1) The increase of operating profits and operating income was because of the deflation of Japanese Yen that led to reduction in purchase cost.
- (2) The increase in non-operating income was caused by the increase in profits from reinvested company this year.
- (3) The reduction in non-operating expense was because of RMB inflation against USD and hence the reduction of loss in foreign currency exchange.
- (4) The increase in earnings before tax, income tax expense and EPS was because of the lower importing cost from JPY deflation and the increase in profits from reinvested company this year.

(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 | 1,137,806 | 173,959 | (1,235,183) | (201,824) | (158,818) |
| Content | 1. Favorable cost variance was caused by the increase in sales price for cars in 2017. 2. Favorable cost variance was caused by the reduction of purchase price for cars in 2017. 3. Unfavorable sales mix variance was caused by the reduce in sales for cars with higher gross profit in 2017. 4. Unfavorable volume variance was caused by the reduction in sales volume of cars in 2017. 5. The Company accepted the commission from Autech Japan, Inc and NISSAN Motor Corp. to engage in the research and design with service revenue increased by NTD26,378 thousand in 2017. 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 NTD34,660 thousand in 2017. | | | | |

3. Cash Flow Analysis**(1) Cash Flow Analysis for the Recent 2 years**

| Item | Fiscal Year | | |
|---|------------------|------------------|-------------------------------|
| | Fiscal year 2016 | Fiscal year 2017 | Increase (Decrease) Ratio (%) |
| Cash Flow Ratio (%) | (Note) | (Note) | - |
| Cash Flow Adequacy Ratio (%) | 8 | 2 | (75) |
| Cash Reinvestment Ratio (%) | (Note) | (Note) | - |
| Difference Analysis and Description of Changes in Increase and Decrease Ratio: | | | |
| (1) Increased cash flow rate was because of current increased net profit and fund redemption converted into cash that generates net cash inflow from operation and current liabilities due to reduced repayment of short-term loans. | | | |
| (2) Reduced cash flow adequacy ratio was caused by more cash dividends paid over the last five years. (Note 1) Operating activities are net cash outflows and excluded from calculation. (Note 2) Net cash inflow from operations deducting cash dividend is a negative number and hence excluded from 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 |
| 6,822,021 | 1,625,207 | (2,507,576) | 5,939,652 | - | - |

4. Influence on Financial Condition caused by Prominent Capital Expenditures in fiscal year 2017

(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 2015 | Fiscal year 2016 | Fiscal year 2017 | Fiscal year 2018 | Fiscal year 2019 | Fiscal year 2020 |
| Model Clamp Lifting Tool | Self-owned fund | 2019.12.31 | 3,320,498 | 439,933 | 536,295 | 258,288 | 426,745 | 1,012,560 | 646,677 |
| Other equipment | Self-owned fund | 2019.12.31 | 236,113 | 20,352 | 80,996 | 36,469 | 11,007 | 78,975 | 8,314 |
| MIS equipment | Self-owned fund | 2019.12.31 | 80,243 | 9,913 | 7,541 | 10,762 | 20,419 | 23,043 | 8,565 |

(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 2017, 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 31,2017 | 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 | \$ 6,225,205 | Growing Status of China Car Market | Nil | Nil |
| Yi-Jan Overseas Investment Co., Ltd. | Jet Ford, Inc. | 100 | USD204,570 | Growing Status of China Car Market | Nil | Nil |
| Jet Ford, Inc. | Aeolus Xiangyang Automobile Co., Ltd. | 16.55 | USD 14,951 | Growing Status of China Car Market | Nil | Nil |
| | Aeolus Automobile Co., Ltd. | 33.12 | USD 187 | Business Growth | Nil | Nil |
| | Guangzhou Aeolus Automobile Co., Ltd. | 40 | USD181,362 | Growing Status of China Car Market | Nil | Nil |
| | Shenzhen Lan You Technology Co., Ltd. | 45 | USD 2,793 | Business Growth | Nil | Nil |
| | Dong Feng Yulon Used Cars Co., Ltd. | 49 | USD 208 | 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 2017.

(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.

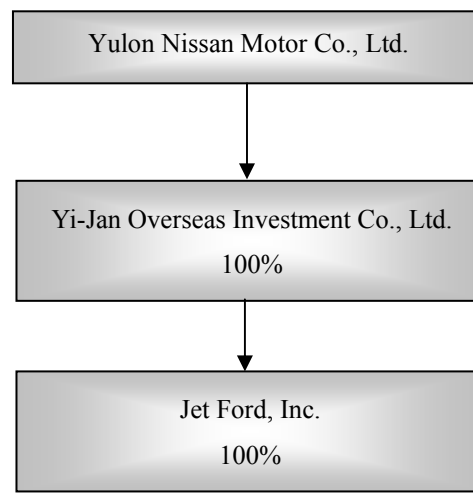
7. Other Important Items: Nil

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, 2017

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, 2017

| 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 Leman C.C. Lee | 71,771,793 | 100% |

5. Affiliates' Operating Results

Dec. 31, 2017

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. | 2,571,699 | 16,023,303 | 0 | 16,023,303 | 6,225,471 | 6,225,205 | 6,225,205 | 73.25 |
| 22270002 | Jet Ford, Inc. | 2,347,251 | 16,028,066 | 10,560 | 16,017,506 | 6,245,665 | 6,225,469 | 6,225,469 | 86.74 |

(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, 2017 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 26, 2018

(3) Consolidated report of public companies and their affiliates: Nil

- 2. Fiscal Year 2017 and prior to the publication date of the annual report, The Status of Issuing Private Placement Securities: Nil**
- 3. Fiscal Year 2017 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 2017 and prior to the publication date of the annual report: Nil**

Yulon Nissan Motor Co., Ltd.



Chairman Kenneth K. T. Yen



Corporate Vision

Becoming the Benchmark Company of “Product Innovation”
and “Service Innovation” in the Cross Strait Auto Industry

YULON NISSAN MOTOR CO., LTD

39-2Po Kung Keng, Shi Hu Tsuen, San Yi, Miao Li Hsien, Taiwan, R.O.C

24Hour Service hot-line 0800-088-888

<http://www.nissan.com.tw>