

**YULON NISSAN**

**YULON NISSAN MOTOR CO., LTD  
ANNUAL REPORT 2018**



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# | Contents |

<b>I. Letter to Shareholders</b> .....	1
1. 2018 Operating Performance .....	3
2. Highlights of Business Operation Plans for 2019 .....	3
3. Future Development Strategy of The Company .....	4
4. Impact of External Environment (including competitors, regulations, macroeconomics and other factors) .....	4
<b>II. Company Brief Introduction</b> .....	
1. Established Date .....	5
2. Highlights of Development .....	5
3. 2018 Operating Performance .....	6
4. Others .....	6
<b>III. Company Management Report</b> .....	
1. Organizational System .....	7
(1) Organization Chart .....	7
(2) Organizational Functions .....	8
2. Information of Directors, Supervisors, Chief Executive Officer, Senior Vice President, Corporate Vice President and General Manager .....	9
(1) Directors Information .....	9
(2) Information of Chief Executive Officer, Senior Vice President, Corporate Vice President and General Manager .....	19
(3) Payment of Remuneration to Directors, Supervisors, Chief Executive Officer and Senior Vice President .....	27
(4) Analysis and description of the net profits macro or individual financial report after payment of remuneration made out to Directors, Supervisors, Chief Executive Officer, and Senior Vice President in the last 2 years .....	32
3. Operation of Corporate Governance .....	33
(1) Operational Status of the Board of Directors .....	33
(2) Operational Status of the Audit Committee .....	36
(3) The Attendance of Supervisors and Operational Status of the Board of Directors .....	37
(4) The Difference in Contrast to the Operation of Corporate Governance and the Listed / OTC Company's Corporate Governance Codes of Practice and Reasons .....	38
(5) Remuneration Committee .....	47
(1) Data of Remuneration Committee Members .....	47
(2) Operational Status of Remuneration Committee .....	48

(6) Implementing Corporate Social Responsibility.....	49
(7) Status of Honest Operation Implemented by the Company and the Adopted Measures .....	54
(8) Inquiry Method of Governance Codes, Important Information for enhancing realization of Operation of Corporate Governance and Relevant Regulations Established by the Company. ....	58
(9) Execution Status of Internal Control System.....	59
1. Statement of Internal Control System.....	59
2. Project Examination Report of CPAs' Internal Control System.....	59
(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 2018 and prior to the Publication Date of the Annual Report .....	60
(11) Major Resolutions made by the Shareholders Meeting and Board of Directors Meeting in Fiscal year 2018 and prior to the Publication Date of Annual Report.....	60
(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 2018 and Prior to the Publication Date of the Annual Report.....	62
(13) The discharge and resignation of Chairman, Chief Executive Officer, Accounting Chief, Financial Affairs Chief, Internal Audit Chief, and R&D Managers for 2018 and Prior to the Publication Date of the Annual Report.....	62
4. Information on CPA Audit Fees .....	63
(1) Information on CPA Audit Fees .....	63
(2) Amount of Audit and Non-Audit Fees and Contents of Non-Audit Services.....	63
(3) The Change of CPA Firms and the Audit Fees after change is Lower than that before change, the Reduced Amount, Proportion and Reason .....	63
(4) The Audit Fees after Change is More than 15% lower than that before Change, the Reduced Fee Amount, Proportion and Reason .....	63
5. Information on Change of CPAs .....	64
(1) Information of the Previous CPAs.....	64
(2) Information of the Successive CPAs .....	64
(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 .....	64
6. Upon the Company's Chairman, Chief Executive Officer, 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 .....	65
7. Changes of Share and Share Collateralizing for Directors, Supervisors, Managers and Shareholders with over 10% of Shares Held During the 2018 Fiscal year and Prior to the Publication Date of the Annual Report .....	65
(1) Changes of Share for Directors, Supervisors, Managers and Major Shareholders .....	65
(2) Information of Share Changes.....	68
(3) Information of Share Collateralizing .....	68
8. Information on the top-10 shareholders who are affiliates or related as spouse or second cousins .....	68
9. The Number of Shares held by the Company, the Company's Directors, Managers and	

its Directly or Indirectly Controlled Business Toward the same Investment Businesses, as well as the Combined Calculated Shareholding Percentage.....	69
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#### IV. Capital Raising Status

1. Capital and Shares .....	70
(1) Source of Share Capital .....	70
(2) Structure of Shareholders .....	70
(3) Status of Ownership Dispersion .....	71
(4) List of Major Shareholders .....	71
(5) Information about Market Price per share, Net Value, Earnings, Dividends and Related Information in Recent 2 Years.....	72
(6) Dividend Policy and Execution Status .....	72
(7) The Effect of the Distribution of Stock Dividend as Proposed by this Shareholders Meeting on Operation Performance and Earning per Share .....	73
(8) Compensation of the Employee, Directors and Supervisors.....	73
(9) Status of Company's Repurchased Treasury Shares .....	74
2. Corporate Bonds issued .....	74
3. Preferred Stock issued .....	74
4. GDR (Global Depositary Receipt) Issued .....	74
5. Employee Stock Options Issued .....	74
6. Restricted Stock Dividends of Employee Issued .....	74
7. New Shares Issued for Merger or Acquisition.....	74
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.....	74

#### V. Highlights of Operations

1. Business Content .....	75
(1) Business Scope.....	75
(2) Industry Summary .....	75
(3) Technology, Research and Development (R&D).....	77
(4) Long, Short term Business Development Plan .....	78
2. Market, Production & Sales Review.....	82
(1) Market Analysis .....	82
(2) The major usage and production processes of main products .....	83
(3) Supplies of main raw materials .....	83
(4) List of Major Suppliers and Clients Over the Recent 2 Fiscal Years .....	84
(5) Production Volume over the recent 2 years.....	84
(6) Sales Volume of Recent 2 Fiscal Years.....	84
3. Employee Data for the Recent Two Years and as of the Publication Date of Annual Report .....	85
4. Expenditures on Environmental Protection .....	85

(1) Losses and Disposal caused by environmental pollution over the recent years .....	85
(2) Probable environmental expenditures .....	85
5. Labor-Capital Relationship.....	85
(1) Current Prominent Labor-Capital Agreements, Employee Benefits and Their Implementation .....	85
(2) Labor Dispute.....	86
6. Prominent Contracts .....	87

**VI. FINANCIAL INFORMATION**

1. Condensed Financial Statements for the recent 5 fiscal year .....	88
(1) Condensed Balance Sheet and Comprehensive Income Statement– IFRS.....	88
(2) CPAs’ Name and Auditor opinions.....	91
2. Financial Analysis in Recent 5 years.....	92
3. Audit Commission Audit Report.....	96
4. Recent Annual Financial Statements .....	97
5. The Audited Consolidated Financial Statements of the Parent Company and Subsidiaries in Recent Year .....	165
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 .....	238

**VII. Review and Analysis of Financial Conditions and Operation Performance and Risk Management**

1. Financial Conditions.....	239
2. Financial Performance.....	240
(1) Comparison and Analysis of Financial Performance .....	240
(2) Gross Profit Analysis.....	241
3. Cash Flow Analysis.....	241
(1) Cash Flow Analysis for the Recent 2 Years .....	241
(2) Cash Flow Analysis for the Next Year.....	241
4. Influence on Financial Condition caused by Prominent Capital Expenditures in Fiscal year 2018 ....	242
(1) The Use and Capital Source of Prominent Capital Expenditure.....	242
(2) Anticipated Benefits .....	242
5. Investment Policy in Fiscal Year 2018, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year’s Investment Plan .....	242
6. Risk Management and Evaluation.....	243
(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.....	243
(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.....	243
(3) Future Research/Development Plans and Estimated Investing R&D Expenditure .....	243
(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.....	243
(5) Changes on Technology and Industrial Change Influence toward the company's Finance Business and Coping Strategies .....	243
(6) Changes on Corporate Image that Influence Company's Risk Management and Contingency Plans.....	243
(7) Benefit Anticipated and Possible Risks of Merge and Acquisition .....	244
(8) Benefit Anticipated and Possible Risks of Plant Site Expansion .....	244
(9) Risks of having Purchase or Sales Centralization .....	244
(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 .....	244
(11) The Impact and Risk of Changing Operating Rights of the Company.....	244
(12) Litigation/Non-Litigation Events .....	244
(13) Other Important Risks and Actions to be Taken .....	244
7. Other Important Items .....	244

**VIII. Special Noted Items**

1. Affiliates Information.....	245
(1) Affiliates Consolidated Operation Statement .....	245
(2) Affiliates Consolidated Financial Report .....	247
(3) Consolidated Report of Public Companies and their Affiliates.....	247
2. Fiscal Year 2018 and Prior to the Publication Date of the Annual Report, The Status of Issuing Private Placement Securities.....	247
3. Fiscal Year 2018 and Prior to the Publication Date of the Annual Report, Acquisition or Disposal of Yulon Shares by Subsidiaries .....	247
4. Other Necessary Supplementary Notes .....	247
5. Any Events that had Significant Impacts on Shareholders' Right or Securities Prices as Stated in Section 3 Paragraph 2 in Article 36 of the Securities Transaction Law for Fiscal year 2018 and Prior to the Publication date of the Annual Report.....	247

## | I. Letter to Shareholders |

Dear Shareholders,

In 2018, the economic environment in Taiwan was interrupted by the ongoing China-US trade war, global trade protectionism, and international economy, causing private consumption and investment to slow down. A total of 423 thousand vehicles were sold in 2018 and representing 2.6% declined over the year of 2017. The sale of made-in-Taiwan vehicle had declined by 9.3%, imported vehicle grown by 6.4%.

NISSAN brand introduced one model KICKS with NISSAN new-generation V-Motion, art and design of Samba. KICKS can passive driver safety equipment that could fully protect the safety of drivers and family members and with design core in “NISSAN INTELLIGENT MOBILITY (NIM)”. In the second quarter of 2018, INFINITI launched QX30, and in the fourth quarter of 2018, INFINITI launched QX50 to strengthen product portfolio and sales momentum. The Company sold 36,707 vehicles in 2018, with a marketing share of 8.7%.

A total of 28.081 million vehicles were sold in Mainland China in 2018, representing 2.8% declined over the year of 2017. The vehicle sales in Mainland China in 2019 will reach 28.1 million vehicles, remained constant compared with 2018. We are prudently optimistic and expect the sales performance by Dong Fong Nissan will likely exceed the total market growth. The auto parts exporting revenue amounted to NT\$0.15 billion in 2018, including Thailand, Malaysia, the Philippines, Mainland China, South Korea, Japan, Egypt, Indonesia, and Vietnam. In addition to continuously exporting parts, NISSAN will expand the areas for export in 2019 to create greater growth momentum for the Company's revenue.

Benefit from the listing of new cars, investment revenue in Mainland China, and



revenue in export parts, the Company's operating income amounted to NT\$31.26 billion, the operating profit amounted to NT\$1.34 billion, the net income before tax amounted to NT\$7.68 billion, and the earnings per share after tax was NT\$19.63 in 2018.

Facing the intense competition in the market, NISSAN will introduce featured products in 2019 to meet the diverse needs of consumers. In the third quarter of 2019, NISSAN expects to launch LEAF, the world's best-selling electric vehicle, to achieve the ultimate goal of zero emission. NISSAN expects to launch ALTIMA, the most representative flagship model, in the third quarter. Equipped with the VC Turbo engine featuring the world-leading variable compression ratio, and excellent fuel economy, ALTIMA expects to bring consumers a completely different driving experience. In improvement of customer service satisfaction, NISSAN brand had been appreciated continuously by car owners in the 2018 J.D. Power "CSI customer satisfaction" survey with the "No. 2 non-luxury car brand". Nissan and INFINITI brand will continue to improve sales and quality of service, upgrade software and hardware, and provide consumers better products and service with innovative information technology and fast delivery.

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.

Chairperson: Yen Chen, Li Lien

## 1. 2018 Operating Performance:

### (1) Operating Performance

Unit : NTD thousand

Fiscal Year	Fiscal year 2017	Fiscal year 2018
Operating Revenue	33,221,774	31,257,730
Profit Before Tax	8,003,421	7,676,560
Net Profit For The Year	6,642,500	5,890,046
Earnings Per Share	22.14	19.63

### (2) Profitability Analysis perating Performance

Fiscal Year	Fiscal year 2017	Fiscal year 2018
Profit Margin On Sales	6.25%	4.28%
Income after Tax (%)	19.99%	18.84%
Return on assets (%)	23.96%	22.71%
Return on equity (%)	31.08%	28.28%

### (3) Comparison of Sales Performance in Major Competitors

Brands	Fiscal year 2017		Fiscal year 2018	
	units	share	units	share
NISSAN	42,630	9.8%	36,707	8.7%
TOYOTA	128,069	29.5%	120,741	28.5%
MITSUBISHI	48,184	11.1%	49,193	11.6%
HONDA	34,070	7.8%	38,822	9.2%
FORD	20,185	4.6%	16,699	3.9%
OTHER	161,519	37.2%	161,025	38.1%
TOTAL	434,657	100.0%	423,187	100.0%

## 2. Highlights of Business Operation Plans for 2019 :

### (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.
- (2) The 3S Strategic Framework includes the following three strategic constituents and the 9 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 “Innovation, Speed, and Teamwork” with effective repurposing of organization operating and 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 2019, major research institutions predicted that that the global economy will increasing uncertainty in the global economy, the economic growth in each area will decline from last year. 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.
- Jun. 2006: The whole new NISSAN TIIDA featuring "Magical Big Space" made its stage debut.
- 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
- 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.
- Oct. 2013: Introduction of all new NISSAN SUPER SENTRA.
- Mar. 2014: NISSAN ALL NEW LIVINA was launched.
- May. 2015: NISSAN "perfect" X-TRAIL was launched.
- Dec. 2015: NISSON SUPER SENTRA 2016 revolutionary model was launched.
- Jan. 2016: NISSAN JUKE 2016 was launched.
- Mar. 2016: NISSAN SUPER SENTRA was launched.
- Mar. 2016: 2016 INFINITI Q50 HYBRID was launched officially.
- Jun. 2016: 2016 NISSAN X-TRAIL 2.0L features the upgraded safety equipment.
- Jul. 2016: INFINITI Q30 was launched.
- Sep. 2016: NISSAN MURANO HYBRID was launched officially at NT\$1.99 million.
- Sep. 2016: 2017 INFINITI QX60 was launched officially.
- 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.
- Jan. 2017: INFINITI Q30 is launched in 2017.
- Feb. 2017: NISSAN released its brand-new brand image advertisement.
- Mar. 2017: INFINITI IREDI Flagship Exhibition Center launched brand-new Q60 at its grand opening in Hsinchu.
- Apr. 2017: NISSAN Gangshan Flagship Exhibition Center is the world's first across NISSAN that obtains NREDI 2.1 certification.
- 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.
- Jul. 2017: NISSAN X-TRAIL achieved the world's No.1 sales with advanced SUV safety equipment.

Jul. 2017: NISSAN JUKE was awarded the Best Compact SUV.  
 Aug. 2017: 2017 NISSAN National Puzzle Challenge was organized.  
 Sep. 2017: NISSAN sponsored 2017 NISSAN ACTION ASIA X-TRAIL TAIWAN.  
 Oct. 2017: NISSAN offered iTIIDA SR to celebrate its 60th anniversary in Taiwan.  
 Nov. 2017: Pre-order for remodeled NISSAN SENTRA was provided with the limited number of additional offers.  
 Dec. 2017: NISSAN displayed 2020 Vision Gran Turismo and KICKS in 2018 Taipei International Autoshow.  
 Dec. 2017: NISSAN displayed INFINITI QX50 and initiated the pre-order for QX30 in 2018 Taipei International Autoshow.

### 3. 2018 Operating Performance:

Jan. 2018: Nissan GT-R Drew High Attention in Kaohsiung Motor Show 2018.  
 Jan. 2018: INFINITI QX30 Made its Debut in Kaohsiung Motor Show.  
 Feb. 2018: NISSAN Will Provide Maintenance Service at Chinese New Year.  
 Feb. 2018: INFINITI QX30 Is Selected as the Best Small Luxury SUV.  
 Mar. 2018: NISSAN Launched the Rear Blind Spot Monitoring System in Its Smart Safety Solution.  
 Mar. 2018: INFINITI QX30, the Best Small Luxury SUV, Appreciation Tour Starts.  
 Apr. 2018: NISSAN Provided a Limited Time Offer, “5-5 Package”.  
 Apr. 2018: INFINITI Q30, 18-year Elite Model in Arctic Silver, Was Launched at NT\$1.37 million.  
 May 2018: New NISSAN X-TRAIL Was Officially Launched.  
 May 2018: Nissan Free Summer Health Check 2018 Starts.  
 Jun. 2018: Nissan Summer Health Check Starts.  
 Jul. 2018: NISSAN Provided TIIDA from NT\$599,000 in Its Summer Offer.  
 Jul. 2018: INFINITI Provided a Limited Time Offer in AUTOSHOW 2018.  
 Aug. 2018: 2018 NISSAN NISTEC/NISAC Ended Successfully with Enhanced After-sales Service.  
 Oct. 2018: NISSAN KICKS Starts its Advance Sale from NT\$725,000.  
 Oct. 2018: The All-new INFINITI QX50 Was Launched.  
 Nov. 2018: INFINITI QX50 Was in Great Demand and 200 Was Sold in 2 Weeks after its Launch.  
 Dec. 2018: NISSAN Provided a Limited Time Offer, “Living a Good Life”.  
 Dec. 2018: INFINITI Provided a Limited Time Offer in Celebration of Great Demand of INFINITI QX50 Spring Health Check Starts.  
 Dec. 2018: INFINITI Spring Health Check 2019 Starts.

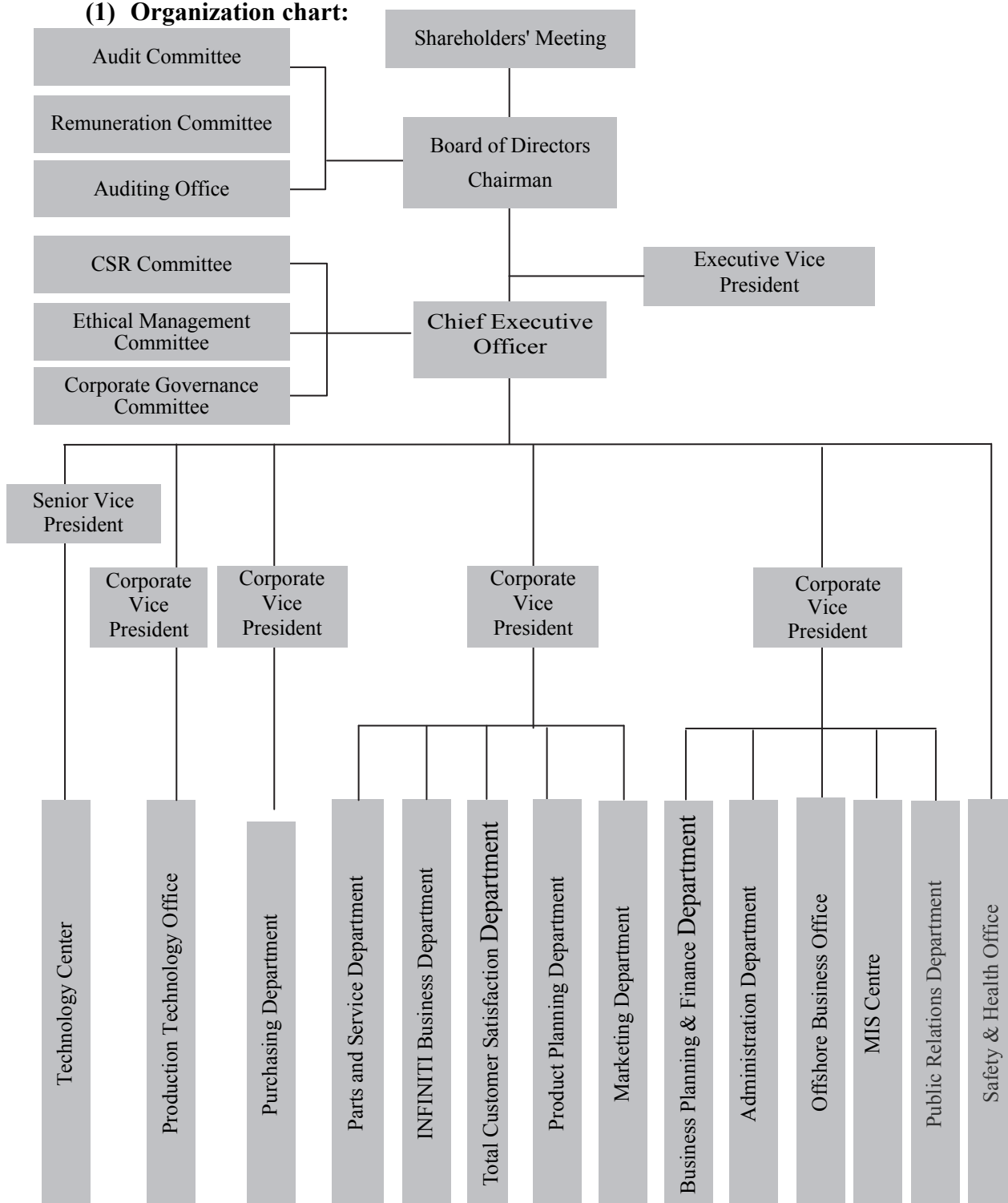
### 4. Others

1. Mergers & Acquisitions, invested companies and reconstructions in fiscal year 2018 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 2018 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 2018 and until the Annual Report published date: The Company's corporate shareholder: Yulon Motor Co., Ltd, reassigned the representative Mrs. Yen Chen, Li lien to serve as a director on Dec. 4, 2018. And the Board of Directors by-elect Mrs. Yen Chen, Li Lien to be the Chairperson on Dec. 7, 2108.

# | III. Company Management Report |

## 1. Organizational System:

### (1) Organization chart:



## (2) Organization Functions

Department Title	Occupational Activities
Auditing Office	Inspection and evaluation the design and implement of Internal Control System
Product Planning Department	<ol style="list-style-type: none"> <li>1. Planning and guiding a product that conforms to the market needs and with competitive strength</li> <li>2. Plans effective execution cost control, enhance the product's profit</li> <li>3. Conduct market survey and information gathering; get hold of consumer's requirements and evaluation on the product</li> <li>4. Perform CCL product and strategy, enhance the product's added value</li> </ol>
Marketing Department	<ol style="list-style-type: none"> <li>1. Brand Marketing Planning and Management</li> <li>2. Strengthen the difference strategy buildup the brand value</li> <li>3. Management and motivation of Dealers as well as management of car production, sales and distribution</li> </ol>
INFINITI Business Department	<ol style="list-style-type: none"> <li>1. Plans Brand Operation Strategy, and building up brand's value</li> <li>2. Distribution channel development, planning and implementing operation management criteria</li> <li>3. Actively utilize market information, to predict and guide the marketing direction</li> <li>4. Regulation and implementation of service policy and management standards</li> <li>5. Planning and implementation of educational training for Distributors</li> </ol>
Parts and service Department	<ol style="list-style-type: none"> <li>1. Regulation and implementation of service policy and standard management</li> <li>2. Planning and deployment of educational training for the Dealers</li> <li>3. Establish and deployment of customer satisfaction enhancement standard and management</li> <li>4. Parts distribution and management</li> <li>5. Parts procurement and inventory volume control</li> </ol>
Total Customer Satisfaction Department	<ol style="list-style-type: none"> <li>1. Planning and promotion of the QA strategies and the QA system</li> <li>2. Quality supervision business</li> <li>3. Product quality information feedback and improvement</li> </ol>
Technology Center	<ol style="list-style-type: none"> <li>1. Car model and parts development</li> <li>2. Subcontracted parts component quality verification and engineering specification test confirmation</li> <li>3. Vehicle's Regulation related verification/application and supervisory confirmation</li> </ol>
Purchasing Department	<ol style="list-style-type: none"> <li>1. Purchasing business planning and management, and parts subcontractors management</li> <li>2. Car parts purchasing</li> <li>3. Cost down of the purchasing cost and achieve the object cost</li> </ol>
Production Technology Office	<ol style="list-style-type: none"> <li>1. Deployment, production and sorting of the manufacturing plans</li> <li>2. Equipment Investment Planning, applying, and management</li> <li>3. Improving the capability, production method, and certified quality technician of the suppliers.</li> <li>4. Management and supervision of improvement in the specific supplier's process capability, production methods, and quality.</li> </ol>
Business Planning & Finance Department	<ol style="list-style-type: none"> <li>1. Operation Planning, monitoring and management of achieving goals</li> <li>2. Provide analysis data of Corporate Financial Meeting, Taxation relevant business and operation</li> <li>3. Management of fund utilization.</li> <li>4. Law, Stock Affair, Shareholders Meeting relevant business</li> </ol>
Administration Department	<ol style="list-style-type: none"> <li>1. Human Resources Management and Labor-Capital Relation Development and Benefits Planning</li> <li>2. General miscellaneous affairs management</li> <li>3. Laws affairs</li> <li>4. V-up promotion</li> </ol>
MIS centre	<ol style="list-style-type: none"> <li>1. Overall information management</li> <li>2. Information communication network management within the company and with distributors</li> <li>3. Development of information professionals and computerization training</li> </ol>
Public Relations Department	Planning, consolidation, and execution of public relations
Offshore Business Office	<ol style="list-style-type: none"> <li>1. Stipulating the Offshore Business Strategy Plans and Target control</li> <li>2. Management of Offshore Business</li> <li>3. Investment Evaluation of Offshore Business</li> </ol>
Safety & Health Office	<ol style="list-style-type: none"> <li>1. Perform industrial safety and health and prevent occupational disasters</li> <li>2. Conduct tests and inspections of the working environment on a regular basis</li> <li>3. Supervise and inspect safety and health measures, contracted work and outsourcing management</li> </ol>



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

### (1) Directors 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
Chairperson	R.O.C	Yulon Motor Co., Ltd. Representative: Yen Chen, Li Lien	Female	2018.12.7	2.53 (Note)	2018.12.7	143,500,000*	60.00*0.00	143,500,000*	47.83*0.00
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Kuo-Rong Chen	Male	2018.6.21	3	2003.10.1	180,000,000*	60.00*0.00	143,500,000* 5,000	47.83*0.00
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Chen-Hsiang Yao	Male	2018.6.21	3	2013.4.1	143,500,000*	47.83*0.00	143,500,000*	47.83*0.00

**Note:** The Company's corporate shareholder: Yulon Motor Co., Ltd, reassigned the representative to serve as a director on Dec.4, 2018. and the Board of Directors by-elect the Chairperson on Dec.7, 2108.

May 11, 2019

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	Physical Education of Chinese Culture University	Chairperson, Yulon Motor Co., Ltd. Chairperson, China Motor Co., Ltd. Director, Taiwan Acceptance Corporation. Chairperson, Tai-Yuen Textile Co., Ltd. Vice Chairperson, Winsome Co., Ltd.  Please refer to the "Information on Affiliated Companies" for details.	Nil	Nil	Nil
0	0.00	0	0.00	Master, Department of Business Administration, Chiao Tung University. Chief Executive Officer, Yulon Motor Co., Ltd. Executive Senior Vice President, Yulon Motor Co., Ltd.	Vice Chairman, Yulon Motor Co., Ltd. Director, China Motor Co., Ltd. Chairman, Taiwan Acceptance Corporation. Director, Tai-Yuen Textile Co., Ltd. Chairman, Hwa-Chuan Auto Technology Center Co., Ltd. Chairman, Luxgen Motor Co., Ltd. Director, Winsome Co., Ltd. Vice Chairman, Dongfeng Yulon Motor Co., Ltd.  Please refer to the "Information on Affiliated Companies" for details.	Nil	Nil	Nil
0	0.00	0	0.00	MIB, Curtin University, Australia Senior Vice President, Yulon Motor Co., Ltd.	Director and Chief Executive Officer, 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	2018.6.21	3	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	2018.6.21	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	2018.6.21	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: Atsuo TANAKA	Male	2019.4.9	2.2 (Note)	2019.4.9	120,000,000*	40.00*0.00	120,000,000*	40.00*0.00

Note: Appointed on Apr. 9, 2019.

May 11, 2019

Current shareholding of spouse and minor children		Shareholdings in the names of others		Main Experience (Education)	Positions concurrently held in this company and other company	Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative		
Shares	Share Holding	Shares	Share Holding			Title	Name	Relationship
0	0.00	0	0.00	Bachelor, Department of Science and Technology, Taiwan University. Senior Vice President, Yulon Nissan Motor Co., Ltd. Corporate Vice President, Yulon Nissan Motor Co., Ltd. General Manager, Management Department, Philippines Group, Yulon 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, 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. Chief Executive Officer, Yulon Nissan Motor Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Bachelor, Faculty of Commerce, 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, Faculty of Political Science & Economics, Waseda University, Japan	General Manager of China Department, Nissan Motor Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Bachelor, Faculty of Engineering, The University of Tokyo, Japan.	Senior Vice President, Yulon Nissan Motor Co., Ltd.	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	Japan	Nissan Motor Co., Ltd. Representative: Masahiro MOCHIZUKI	Male	2019.4.9	2.2 (Not e)	2019.4.9	120,000,000	40.00	120,000,000	40.00
Independent Director	R.O.C	Yun-Hua Yang	Male	2018.6.21	3	2018.6.21	0	0.00	0	0.00
Independent Director	R.O.C	Hung-Wen Chang	Male	2018.6.21	3	2018.6.21	0	0.00	0	0.00
Independent Director	R.O.C	Jung-Fang Kuo	Male	2018.6.21	3	2018.6.21	0	0.00	0	0.00

May 11, 2019

Current shareholding of spouse and minor children		Shareholdings in the names of others		Main Experience (Education)	Positions concurrently held in this company and other company	Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative		
Shares	Share Holding	Shares	Share Holding			Title	Name	Relationship
0	0.00	0	0.00	Bachelor, Faculty of Engineering, Tokyo University of Science, Japan.	Corporate Vice President, Yulon Nissan Motor Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Doctor of Laws, University of Tubingen, Germany Professor, College of Law, Chengchi University Commissioner of Judicial Yuan Revising Committee Commissioner of Executive Yuan Ministry Justice	Independent Director, China Motor Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Doctor of Business Administration, Taipei University. Assistant Professor, Department of Finance and Cooperative Management, National Taipei University. Director, UltraChip Inc.	Independent Director, Carnival Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Master of EMBA, Taiwan University. Senior CPA, Deloitte&Touche Tohmatsu Limited	Director, Taiwan Business Bank venture capital investment Co., Ltd. Supervisor, ACROVIZ Inc. Supervisor, Bridgent Management Institute. Supervisor, Bridgent Institute. Independent Director, Tai-Shing Electronics Components Corporation Independent Director, China Motor Co., Ltd.	Nil	Nil	Nil

## The Major Stockholders of Corporation Shareholders

May 11, 2019

Names of Major Stockholders	The Major Stockholders of Corporation Shareholders
Yulon Motor Co., Ltd.	<ol style="list-style-type: none"> <li>1. Tai Yuen Textile Co., Ltd., (18.11%)</li> <li>2. China Motor Co., Ltd., (16.67%)</li> <li>3. Kenneth K. T. Yen (10.18%)</li> <li>4. Mercuries Life Insurance Co., Ltd. (3.15%)</li> <li>5. Fan De Investment Co., Ltd. (1.58%)</li> <li>6. Yen Tjing-Ling Industrial Development Foundation(1.09%)</li> <li>7. JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.87%)</li> <li>8. JPMorgan Vanguard emerging markets stock index fund (0.85%)</li> <li>9. Yu Ching Business Co., Ltd. (0.75%)</li> <li>10.Citibank (Taiwan) emerging markets evaluation account(0.07%)</li> </ol>
Nissan Motor Co., Ltd.	<ol style="list-style-type: none"> <li>1. Renault S.A.(43.40%)</li> <li>2.The Chase Manhattan Bank, N.A. London Special Account No. 1(3.42%)</li> <li>3. The Master Trust Bank of Japan (Shintaku-guchi) (3.13%)</li> <li>4. Japan Trustee Services Bank Ltd. (Shintaku-guchi) (2.64%)</li> <li>5. Japan Trustee Services Bank Ltd. (Shintaku-guchi 9) (1.35%)</li> <li>6. Nippon Life Insurance Company (1.28%)</li> <li>7. Japan Trustee Services Bank Ltd. (Shintaku-guchi 5) (1.09%)</li> <li>8. State Street Bank West Client - Treaty 505234 (0.99%)</li> <li>9. Japan Trustee Services Bank (Shintaku-guchi 1) (0.79%)</li> <li>10. Japan Trustee Services Bank (Shintaku-guchi 2) (0.78%)</li> </ol>

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

May 11, 2019

Legal Person's Name	Shareholders of Natural persons
1.Tai-Yuen Textile Co., Ltd.	<ol style="list-style-type: none"> <li>1. Yuan Wen Investment Co., Ltd. (20.85%)</li> <li>2. Yen Tjing-Ling Industrial Development Foundation.(14.24%)</li> <li>3. British Virgin Islands, Huffman Brothers investment company (9.80%)</li> <li>4. British Virgin Islands, Evans company (9.71%)</li> <li>5. British Virgin Islands,Shangxiqiao Investment company (9.13%)</li> <li>6. Lee Yuan Investment Co., Ltd. (7.17%)</li> <li>7. Yun Shueng Investment Co., Ltd. (6.82%)</li> <li>8. Ly Pon Investment Co., Ltd. (5.61%)</li> <li>9. Diamond Hosiery &amp; Thread Co., Ltd. (4.55%)</li> <li>10. Yuen Wei Investment Co., Ltd. (3.10%)</li> </ol>



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. (3.74%) 7. Mercuries Life Insurance Co., Ltd. (2.13%) 8. Kenneth K. T. Yen ( 1.20% ) 9. Taiwan Life Insurance Co., Ltd. (1.18%) 10. Citibank Norway investment trust account. (1.16%)
3. Mercuries Life Insurance Co., Ltd.	1. Mercuries & Associates Holding, LTD.(41.51%) 2. Shang Lin investment Co., Ltd.(6.02%) 3. Shu Ren investment Co., Ltd.(5.36%) 4. Mercuries Fu Bao Ltd.(2.69%) 5. New labor pension fund. (1.21%) 6. Hu,Ming-Rong.(0.77%) 7. Citibank Norway investment trust account. (0.74%) 8. JPMorgan Vanguard emerging markets stock index fund. (0.72%) 9. JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds. (0.66%) 10. Naples Co., Ltd.(0.58%)
4.Fan De Investment Co., Ltd.	1. Lin, Song-Ling (50%) 2.Chen, Ji-Yang (50%)
5. Yen Tjing-Ling Industrial Development Foundation	Not applicable
6. JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Non-juristic person, not applicable
7.JPMorgan Vanguard emerging markets stock index fund	Non-juristic person, not applicable
8. Yu Ching Business Co., Ltd.	1.Yulon Motor Co., Ltd. (60%) 2. Yuee Pong Business Co., Ltd. (40%)
9.Citibank (Taiwan) emerging markets evaluation account	Non-juristic person, not applicable
10.Renault S.A.	Subject to local restrictions, not available
11. The Chase Manhattan Bank, N.A. London Special Account No.1	Subject to local restrictions, not available
12. The Master Trust Bank of Japan (Shintaku-guchi)	Subject to local restrictions, not available
13. Japan Trustee Services Bank Ltd. (Shintaku-guchi)	Subject to local restrictions, not available
14. Japan Trustee Services Bank Ltd. (Shintaku-guchi 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. (Shintaku-guchi 5)	Subject to local restrictions, not available
17. State Street Bank West Client - Treaty 505234	Subject to local restrictions, not available.
18. Japan Trustee Services Bank (Shintaku-guchi 1)	Subject to local restrictions, not available.
19. Japan Trustee Services Bank (Shintaku-guchi 2)	Subject to local restrictions, not available.

## Professionalism and Independence of Directors

Name	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: Yen Chen, Li Lien			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		v	v	
Nissan Motor Co., Ltd. Representative: Atsushi KUBO			v			v	v			v	v	v						v	v	
Nissan Motor Co., Ltd. Representative: Atsuo TANAKA			v			v	v			v	v	v						v	v	
Nissan Motor Co., td. Representative: Masahiro MOCHIZUKI			v			v	v			v	v	v						v	v	
Yun-Hua Yang	v	v		v	v	v	v	v	v	v	v	v	v				v	v		1
Hung-Wen Chang	v		v	v	v	v	v	v	v	v	v	v	v			v				1
Jung-Fang Kuo		v	v	v	v	v	v	v	v	v	v	v	v				v			2

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. Three independent directors have served on the Board of Directors of the Company since early June 2018. Among all directors, 6 directors are 50~60 years old and 5 directors are 60~70 years old.

## (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
Chief Executive Officer	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
Senior Vice President	Japan	Atsuo TANAKA	Male	2019.4.1	0	0.00	0	0.00	0	0.00
Corporate Vice President	Japan	Masahiro MOCHIZ UKI	Male	2017.4.1	0	0.00	0	0.00	0	0.00
Corporate Vice President	Japan	Motoo SATO	Male	2019.4.1	0	0.00	0	0.00	0	0.00

May 11, 2019

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
Bachelor, Department of Science and Technology, Taiwan University. Senior Vice President, Yulon Nissan Motor Co., Ltd. Corporate Vice President, Yulon Nissan Motor Co., Ltd. General Manager, Management Department, Philippines Group, Yulon 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, Kaixing Insurance agent Co., Ltd Director, Tokio Marine Newa 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
Master, Department of Business Administration, Chiao Tung University. Chief Executive Officer, Yulon Motor Co., Ltd. Executive Senior Vice President, Yulon Motor Co., Ltd.	Vice Chairman, Yulon Motor Co., Ltd. Director, China Motor Co., Ltd. Chairman, Taiwan Acceptance Corporation Director, Tai-Yuen Textile Co., Ltd. Chairman, Hwa-chuan Auto Technology Center Co., Ltd. Chairman, Luxgen Motor Co., Ltd. Director, Winsome Co., Ltd. Vice Chairman, Dongfeng Yulon Motor Co., Ltd.  Please refer to the “Information on Affiliated Companies” for details.	Nil	Nil	Nil
Bachelor, Faculty of Engineering, The University of Tokyo, Japan.	—	Nil	Nil	Nil
Bachelor, Faculty of Engineering, Tokyo University of Science, Japan.	—	Nil	Nil	Nil
Bachelor, Department of Juridical Studies, Faculty of Law, Meiji Gakuin University, Japan.	—	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
Corporate Vice President	R.O.C	Wen-Chuan Chung	Male	2017.4.1	0	0.00	5,000	0.00	0	0.00
Corporate 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 11, 2019

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, Department of International Business Management, Curtin University, Australia. Master, Department of Industrial Management, Taiwan University of Science and Technology. Bachelor, Department of Industrial Design, Cheng Kung University. General Manager, Product Planning Department, Yuolon Nissan Motor Co., Ltd. Senior Manager, Product Planning Department, Yuolon Nissan Motor Co., Ltd. Senior Manager, Project Management Office, Yuolon Nissan Motor Co., Ltd.	Director, Yuan Long Motor Co., Ltd. Director, Hui Lian Motor Co., Ltd. Director, Yu Shing 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
Master, Department of Management Science, Chiao Tung University. Bachelor, Department of Aeronautics and Astronautics, Cheng Kung University. General Manager, Administrative Planning Department, Luxgen Motor Co., Ltd. Senior Manager, Management Department, Philippines Group, Yulon Motor Co., Ltd.	Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Shenzhen Lan You Technology Co., Ltd.	Nil	Nil	Nil
Master, MBA, Graduate School of Commerce, Waseda University, Japan. Bachelor, Faculty of Law, Waseda University, Japan.	—	Nil	Nil	Nil
Bachelor, Department of Aerospace Engineering, Tamkang University Senior Manager, Purchasing Department, Yulon Motor Co., Ltd.	Director, Yueki Industrial Co., Ltd Director, Uni Auto Parts Manufacture Co., Ltd.	Nil	Nil	Nil
Bachelor, Department of Vehicle Engineering, Chung Cheng Institute of Technology National Defense University. Senior Manager, Total Customer Satisfaction Department, Yulon Nissan Motor Co., Ltd. Senior Manager, Quality Assurance Department, Yulon Nissan Motor Co., Ltd. Manager, Offshore Business Office, Yulon Nissan Motor Co., Ltd.	—	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-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

May 11, 2019

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
Bachelor, Department of Navigation, Ocean University. Senior Manager, Project Office, Yulon Nissan Motor Co., Ltd. Senior Manager, Marketing Department, Yulon Nissan Motor Co., Ltd.	Director, Yu Shin Motor Co., Ltd	Nil	Nil	Nil
Master, Executive Master of Business Administration of Cheng Kung University. Bachelor, Department of Business Administration, Tunghai University. General Manager, Project Management Office, Yulon Nissan Motor Co., Ltd. Senior Manager, Project Office, Yulon Nissan Motor Co., Ltd.	Director, Yu Chang Motor Co., Ltd Director, Yu Shing 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
Bachelor, Department of Mechanical Engineering, United University. General Manager, Technology Center, Yulon Nissan Motor Co., Ltd. Senior Manager, Technology Center, Yulon Nissan Motor Co., Ltd. Senior Manager, Offshore Business Office, Yulon Nissan Motor Co., Ltd.	—	Nil	Nil	Nil
Master, Department of Management Science, Chiao Tung University. Bachelor, Department of Mechanical Engineering, Chung Hsing University. Senior Manager, Business Planning and Financial Department, Yulon Nissan Motor Co., Ltd. Senior Manager, Financial Department, Yulon Nissan Motor Co., Ltd. Manager, Financial Department, Yulon Nissan Motor Co., Ltd.	—	Nil	Nil	Nil
Master, Department of International Business Management, Curtin University, Australia. Bachelor, Department of Mechanical Engineering, Central University. Senior Manager, Parts and Service Department, Yulon Nissan Motor Co., Ltd. Senior Manager, Marketing Department, Yulon Nissan Motor Co., Ltd.	Director, Yuan Long Motor Co., Ltd. Director, Yu Ming Motor Co., Ltd. Director, Singan Co. Ltd. Director, Chen Long Motor Co. Ltd. Director, Yu Shing Motor Co., Ltd.	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	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
General Manager	R.O.C	Fang-Zhong Lai	Male	2019.01.01	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

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, Department of Industrial Engineering and Engineering Management, Tsing-Hua University. Bachelor, Department of Computer Science and Information Engineering, Chung Yuan Christian University. Senior Manager, Project Management Office, Yulon Nissan Motor Co., Ltd. Senior Manager, Marketing Department, Yulon Nissan Motor Co., Ltd. Senior Manager, Product Planning Department, Yulon Nissan Motor Co., Ltd.	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
Bachelor, Department of Mechanical Engineer, National Taiwan Institute of Technology. Senior Manager, Technology Center , Yulon Nissan Motor Co., Ltd. Manager, Technology Center , Yulon Nissan Motor Co., Ltd.	—	Nil	Nil	Nil
Bachelor, Department of Business Administration, Chung Hsing University. Senior Manager, Product Planning Department, Yulon Nissan Motor Co., Ltd. Senior Manager, Marketing Department, Yulon Nissan Motor Co., Ltd. Manager, Marketing Department, Yulon Nissan Motor Co., Ltd.	—	Nil	Nil	Nil
Master, Department of Accounting, University of Idaho ,USA	—	Nil	Nil	Nil



**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	Yen Chen, Li Lien(Note 1) , Kenneth K. T. Yen(Note 2) , Kuo-Rong Chen , Leman C.C. Lee , Chen -Xiang Yao , Takashi Nishibayashi - Atsushi Junichi Ohori , Kenji Shimoyama , Yun-Hua Yang(Note 3) , Hung-Wen Chang(Note 4) , Jung-Fang Kuo(Note 5) , Jin-Shun Wu(Note 6) , Robert Mao(Note 7)	Yen Chen, Li Lien(Note 1) , Kenneth K. T. Yen(Note 2) , Kuo-Rong Chen , Leman C.C. Lee , Chen -Xiang Yao , Takashi Nishibayashi , Atsushi Kubo , Junichi Ohori , Kenji Shimoyama , Yun-Hua Yang(Note 3) , Hung-Wen Chang(Note 4) , Jung-Fang Kuo(Note 5) , Jin-Shun Wu(Note 6) , Robert Mao(Note 7)	Yen Chen, Li Lien(Note 1) , Kuo-Rong Chen , Chen -Xiang Yao , Takashi Nishibayashi - Atsushi Kubo , Yun-Hua Yang(Note 3) , Hung-Wen Chang(Note 4) , Jung-Fang Kuo(Note 5) , Jin-Shun Wu(Note 6) , Robert Mao(Note 7)	Yen Chen, Li Lien(Note 1) , Kuo-Rong Chen , Chen -Xiang Yao , Takashi Nishibayashi - Atsushi Kubo , Yun-Hua Yang(Note 3) , Hung-Wen Chang(Note 4) , Jung-Fang Kuo(Note 5) , Jin-Shun Wu(Note 6) , Robert Mao(Note 7)
NT2,000,000 ~ NT5,000,000				
NT5,000,000 ~ NT10,000,000			Kenneth K. T. Yen(Note 2) , Leman C.C. Lee , Junichi Ohori , Kenji Shimoyama	Kenneth K. T. Yen(Note 2) , Leman C.C. Lee , Junichi Ohori , Kenji Shimoyama
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	14	14	14	14

Note 1: Appointed on Dec. 7, 2018

Note 2: Resigned on Dec. 4, 2018

Note 3: Appointed on Jun. 21, 2018

Note 4: Appointed on Jun. 21, 2018

Note 5: Appointed on Jun. 21, 2018

Note 6: Resigned on Jun. 21, 2018

Note 7: Resigned on Jun. 21, 2018

2. Compensation of supervisors

Dec. 31, 2018  
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	
		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(Note 1)							
Supervisor	Wei Wen Investment Co., Ltd Representative: Tai-Ming Chen(Note 2)	1,767	1,767	0	0	0	0.03%	0.03%
Supervisor	Takahiko Ikushima (Note 3)							Nil

Note 1: Resigned on Jun. 21, 2018

Note 2: Resigned on Jun. 21, 2018

Note 3: Resigned on Jun. 21, 2018

Compensation Range Table

The Compensation Range for Supervisors of the Company	Number of Supervisors	
	The Company	Total Compensation Amount of A+B+C
Less than NT 2,000,000	Kwan-Tao Li(Note 1) 、 Tai-Ming Chen(Note 2) 、 Takahiko Ikushima(Note 3)	Kwan-Tao Li(Note 1) 、 Tai-Ming Chen(Note 2) 、 Takahiko Ikushima(Note 3)
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	3	3

Note 1: Resigned on Jun. 21, 2018

Note 2: Resigned on Jun. 21, 2018

Note 3: Resigned on Jun. 21, 2018



3: Compensation of the President and Senior Vice President

Dec. 31, 2018  
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 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	Cash	Stock	The Company	All the Companies in financial statement	The Company	All the Companies in financial statement		
President	Leman C.C. Lee														
Special Assistant to the Chairman	Kuo-Rong Chen	6,943	6,943	383	383	3,514 Housing Rent 432 Car Rental	3,514 Housing Rent 432 Car Rental	110	0	0.23%	0.23%	0	0	0	Nil
Executive Vice President	Atsushi Kubo					682 Driver 1,560	682 Driver 1,560								

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		
NT2,000,000 ~ NT5,000,000	Kuo-Rong Chen	Kuo-Rong Chen
NT5,000,000 ~ NT10,000,000		
NT10,000,000 ~ NT15,000,000	Leman C.C. Lee, Atsushi Kubo	Leman C.C. Lee, Atsushi Kubo
NT15,000,000 ~ NT30,000,000		
NT30,000,000 ~ NT50,000,000		
NT50,000,000 ~ NT100,000,000		
More than NT100,000,000		
Total	3	3

Note (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 383 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, 2018  
Unit: NTD thousand

	Title(Note 1)	Name(Note 1)	Stock (Fair Market Value)	Cash	Total	% of Total Amount against Net Profit After Tax
manager	Chief Executive Officer	Leman C.C. Lee				
	Special Assistant to the Chairman	Kuo-Rong Chen				
	Senior Vice President	Junichi OHORI				
	Corporate Vice President	Kenji SHIMOYAMA				
	Corporate Vice President	Masahiro MOCHIZUKI				
	Corporate Vice President	Wen-Chuan Chung				
	Corporate Vice President	Joseph Hsiung				
	Senior General Manager	Nishii TARO(Note 2)				
	Senior General Manager	Yoshihiro TAKAHAMA (Note 3)	-	550 (Note1)	550 (Note1)	0.01% (Note1)
	General Manager	Tsan-Huang Lin				
	General Manager	Yu-Chou Hsieh				
	General Manager	Wen-Chi Mao (Note 4)				
	General Manager	Wen-Chiang Shu				
	General Manager	Dennis Chang				
	General Manager	Chiung-Ming, Chou				
	General Manager	Chao-Yen Liang				
	General Manager	Yen Chou				
	General Manager	Jacky Lee				
	General Manager	Jen-Chung Tu				
	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 May 1, 2018.

Note 3 : Resigned on Apr 1, 2018.

Note 4 : Resigned on Feb. 28, 2019.

**(4) Analysis and description of the net profits macro or individual financial report after payment of remuneration made out to Directors, Supervisors, Chief Executive Officer, and Senior 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	2017 year			2018 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	6,642,500	0.18%	12,700	5,980,046	0.21%
Supervisor	3,600	6,642,500	0.05%	1,767	5,980,046	0.03%
Chief Executive Officer and Senior Vice President	11,997	6,642,500	0.18%	10,538	5,980,046	0.18%
Total	27,597	6,642,500	0.42%	25,005	5,980,046	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 chairperson'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 2018, 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	Yen Chen, Li Lien	2	0	100%	Appointed on Dec. 7, 2018.
Corporation Director Representative and Chairman	Kenneth K.T. Yen	0	5	0%	Resigned on Dec. 4, 2018.
Corporation Director Representative	Kuo-Rong Chen	7	0	100%	
Corporation Director Representative	Chen-Hsiang Yao	6	1	86%	
Corporation Director Representative	Leman C.C. Lee	7	0	100%	
Corporation Director	Nissan Motor Co., Ltd.				
Corporation Director Representative	Takashi NISHIBAYASHI	7	0	100%	
Corporation Director Representative	Atsushi KUBO	7	0	100%	
Corporation Director Representative	Junichi OHORI	7	0	100%	
Corporation Director Representative	Kenji SHIMOYAMA	7	0	100%	
Independent Director	Yun-Hua Yang	5	0	100%	Appointed on June 21, 2018
Independent Director	Hung-Wen Chang	5	0	100%	Appointed on June 21
Independent Director	Jung-Fang Kuo	5	0	100%	Appointed on June 21
Independent Director	Jin-Shun Wu	2	0	100%	Resigned on June 21, 2018
Independent Director	Robert Mao	2	0	100%	Resigned on June 21, 2018
Corporation Supervisor	Wei Wen Investment Co., Ltd.				
Corporation Supervisor Representative	Kwan-Tao Li	1	0	50%	Resigned on June 21
Corporation Supervisor Representative	Tai-Ming Chen	2	0	100%	Resigned on June 21

Title	Name	Number of Times for Actual Attendance	Number of Times for Authorized Attendance	% of Actual Attendance	Note
Supervisor	Takahiko IKUSHIMA	2	0	100%	Resigned on June 21
Other Notes:					
<p>1. The board of directors operates in the following circumstances ,should specify the dates, terms, motion content, all of the independent directors' comments and the company's handling of these comments:</p> <p>(1) Matters specified in Article 14-3 of the Securities and Exchange Act: For proposals relating to matters specified in Article 14-3 of the Securities and Exchange Act before the establishment of the Audit Committee, refer to the table below. After the establishment of the Audit Committee in June 2018, the Company should apply to Article 14-5 of the Securities and Exchange Act instead of Article 14-3 of the Securities and Exchange Act. For related resolutions, refer to the "Implementation of the Audit Committee" – "2. Summary of Proposals in the Audit Committee meetings."</p>					
Board meeting date	Board meeting term	Summary of motions	Independent director's opinions	Response to the independent director's opinion	
March 26, 2018	The 16th meeting of the 6th term	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 Correspond to Supervisor System Which Had Replaced by Audit Committee. 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.	Approved as proposed	To be executed in accordance with the resolution reached	
May 11, 2018	The 17th meeting of the 6th term	1.Approval of Earnings Distribution of Year 2017. 2.Approval of Distribution by Cash from Legal Reserve. 3.Addition of The Proposal "Approval of distribution by cash from legalreserve" to 2018 Shareholders' Meeting Agenda. 4.Approval of 2018 Operational Objectives. 5.Approval to Review the Candidate List of Directors for 2018 Shareholders' Meeting. 6.The Lift on the Prohibition on Directors from "Concurrently Act as a Director and/or Manager of another company". 7.The Lift on the Prohibition on Managerial Personnel from Acting as a Managerial Personnel of Another	Approved as proposed	To be executed in accordance with the resolution reached	

	Company.		
<p>(2)Resolutions of the Board of Directors with a record or written statement of dissent or reservations of independent directors in addition to the above: None.</p> <p>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.</p> <p>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:</p>	<p>(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 Audi Committee on June, 21, 2018 Board of the Directors re-election to continue improving the management quality of the company.</p> <p>(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 in August, 2018. The topic of the training is Exploring Corporate Governance and Sustainable Development through Legal Responsibility of Directors and Supervisors and Forensic Accounting.</p> <p>(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.</p> <p>(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 2019. The self-evaluation of the board’s performance and the self-evaluation of the board members scored 3.90 points and 3.89 points (full score is 4 points) respectively; the above result and subsequent remedial measures were reported to the Company’s board of directors on January28, 2019.</p> <p>(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 fourth amendments to the Corporate Governance Best Practice Principles on March 22, 2019. The Principles have been published on the Company’s website and the Market Observation Post System.</p>		

**(2) Operational Status of the Audit Committee:**

The Audit Committee is composed of three independent directors of the Company. The Audit Committee is to assist the Board of Directors in overseeing the quality and credibility of accounting, auditing, and financial reporting procedures as well as financial controls performed by the Company. In 2018, the priorities of the Audit Committee were to examine the appropriate presentation of the Company's financial statements, the independence and competency of the CPAs, and the modification of the internal control system. For the summary of proposals and resolutions and the date of the Board meetings relating to the proposals, refer to "Others Matters to be Specified" – "2. Summary of Proposals in the Audit Committee meetings" below.

There have been 2 annual meetings held for the Audit Committee. The attendance of Independent directors is as follows:

Title	Name	Number of Times for Actual Attendance	% of Actual Attendance	Note
Convener	Jung-Fang Kuo	2	100%	Appointed on June 21,2018
Member	Hung-Wen Chang	2	100%	Appointed on June 21,2018
Member	Yun-Hua Yang	2	100%	Appointed on June 21,2018

1. The Audit Committee operates in the following circumstances ,should specify the dates, terms, motion content, all of the Audit Committee 's comments and the company's handling of these comments:

(1) Regulations set forth in Article 14-5 of the Securities and Exchange Act: For related resolutions, refer to Point 2: Summary of Proposals in the Board meeting.

(2) Resolutions approved by two-thirds of all directors and yet to be passed by the Audit Committee in addition to the above: None.

## 2.Summary of motions in the Audit Committee

Audit Commission date	Summary of motions	Result of Audit Commission and Independent director's opinions	Board meeting date	Result of Board of Directors and Independent director's opinions	Response to the independent director's opinion
August 2, 2018 The 1st meeting of the 1st term	1.Approval of the 2nd Quarter Financial Repor in 2018 2.Reviewing of CPA Independence and Competency. 3.Amendments to the Company's "Stocks Affair Internal Control Systems". 4.Amendments to the Company's "Stocks Affair Internal Audit Implementation Rules".	Approved as proposed	August 6, 2018  The 2nd meeting of the 7th term	Approved as proposed	To be executed in accordance with the resolution reached
November 6, 2018 The 2nd meeting of the 1st term	Establish of the Annual Audit Plan 2019".	According to the independent directors Jung-Fang Kuo , the audit plan should take into account the annual business plan, new laws and regulations, and common defects to keep the audit items and frequency flexible. According to all independent directors present, the Compliance Audit should be conducted in the first half and the second half of 2019, respectively.	December 17, 2018  The 4th meeting of the 7th term	Approved as proposed	To be executed in accordance with the resolution reached

3. The status of recusal of independent directors due to conflict of interests should include the name of independent directors, proposals, reason for recusal, and status of voting: None.

4. Communication between independent directors, chief audit officer, and CPAs (regarding matters, methods, and results of finances and business operations):

Date	Object	Matter
August 2, 2018	CPA	The CPA reported the financial statements for the second quarter of 2018 and the effect of IFRS16 Lease.
	Manager of Internal Audit Dep.	1. Audit result of 2018 2. Audit plan in 2018.
November 6, 2018	CPA	The CPA reported the financial statements for the third quarter of 2018 and the overview of business operations and explained the key financial ratios. After discussing the financial statements with the CPAs, the independent directors approved the financial statements.
	Manager of Internal Audit Dep.	Approval of the Annual Audit Plan 2019". According to the independent directors, the audit plan should take into account the annual business plan, new laws and regulations, and common defects to keep the audit items and frequency flexible. According to all independent directors present, the Compliance Audit should be conducted in the first half and the second half of 2019, respectively. After the audit plan was modified according to the recommendations provided by independent directors, it was passed and reported to the Board of Directors.

### (3) The attendance of 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: (Starting from the 7th meeting in the following year, the Audit Committee should be in place.)

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	1	50%	Resigned on June 21, 2018
Natural Person Supervisor Representative	Tai-Ming Chen	2	100%	Resigned on June 21, 2018
Supervisor	Takahiko IKUSIMA	2	100%	Resigned on June 21, 2018

Other items that should be stated:

1. Composition and Duties of Supervisors:

(1) Communication between the Supervisor(s) and the Company's employee(s) and/or shareholder(s) (e.g. communication channel and the way of communication): Nil

(2) Communication between the Supervisor(s) and Superintendent of Internal Audit and Certified Public Accountant (e.g., communication items, method and results in respect to the Company's financial and business status): Nil

2. If a Supervisor attends the Board meeting and express his/her opinion, it is required to record the date and term of the Board meeting, content of the proposal discussed and resolution thereof and the action taken by the Company to reflect such Supervisor's opinion: Nil



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

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
	Yes	No		
1. Does the company develops and discloses corporate governance practice principles in accordance with “Governance Best Practice Principles for TWSE/GTSM Listed Companies.”	V		The 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, the third amendment was approved on March 26, 2018, and the 4th amendment was approved on Mar. 22, 2019. 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	

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to buy or sell securities?	V	<p>Internal Material Information,” “Operational Procedures for Insider Trading 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.</p> <p>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).</p>	
<p>3. Composition and function of Board of Directors</p> <p>(1) Does the Board of Directors develop diversified guidelines and implement execution in terms of member composition?</p>	V	<p>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 of the Company are equipped with diverse capacities, such as Chairperson:Yen Chen, Li Lien, Independent Director: Hung-Wen Chang, Director: Kuo-Rong Chen, Director: Chen-Hsiang Yao, Director: Leman C. C. Lee, Director:Takashi NISHIBAYASHI, Director:Atsushi KUBO, Director: Atsuo TANAKA and Director: Masahiro MOCHIZUKI have the skills in operational judgment, business management, industrial knowledge, crisis management. Independent Director:Jung-Fang Kuo and Independent Director:Yun-Hua Yang have the skills in Laws, Finance and Accounting. Several directors are from foreign countries. Such a board of directors combining different nationalities, perspectives, and cultural backgrounds may provide multi-oriented advice for the Company.</p>	<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.</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	
(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 Compensation Remuneration Committee and Audit Commission(both the members are the 3 independent directors) to supervise and suggest salary for directors and managers .	
(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. 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 (2018) is as follows:</p> <ol style="list-style-type: none"> <li>1. The overall self-evaluation of the board's performance is 3.90 points (full score is 4.00 points).</li> <li>2. The overall self-evaluation of the board members is 3.89 points (full score is 4.00 points).</li> </ol> <p>The details of the above performance evaluation and subsequent remedial measures have been reported to the board of directors on January 28, 2019. The Company has amended the Regulations Governing the Self-evaluation of the Board Performance on May 10, 2019. By the end of every year, a self-evaluation survey will be delivered to all directors to evaluate the performance of the Board of Directors, directors, and functional committees.</p>	

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
		<p>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"> <li>1. Level of participation in company operations.</li> <li>2. Improvement on the decision-making quality by the Board of the Directors.</li> <li>3. Board of the Directors constitution and structure.</li> <li>4. Board of the Directors election and continuous advanced study.</li> <li>5. Internal control.</li> </ol> <p>The items of evaluation in the Board of Directors member performance appraisal should at least include the following six dimensions:</p> <ol style="list-style-type: none"> <li>1. Understanding of the Company's goals and tasks.</li> <li>2. Awareness of directors' responsibilities.</li> <li>3. Level of participation in company operations.</li> <li>4. Internal relationship maintenance and communication.</li> <li>5. Professional and continuous advanced study by the directors.</li> <li>6. Internal control.</li> </ol> <p>The evaluation of the performance of functional committees includes the following five aspects: :</p> <ol style="list-style-type: none"> <li>1. Participation in the operations of the Company.</li> <li>2. Awareness of responsibilities of functional committees.</li> <li>3. Improvement in the decision-making quality of functional committees.</li> <li>4. Composition of functional committees and selection of members.</li> <li>5. Internal control.</li> </ol> <p>The organizer of the Board of Directors should analyze the results of the evaluation according to the aforesaid regulations and report the results of the evaluation and the recommendations for improvement to the Board of Directors before the end of the first quarter. The aforesaid regulations and results of the evaluation should also be disclosed on the Company's website.</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		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 and the latest evaluation was on August 6, 2018.	
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		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. 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.	The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left.
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.

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
	Yes	No		
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?  (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	V	The company has established a corporate website to disclose product information, management, finance, and key corporate regulations and articles regarding corporate governance. ( <a href="http://new.nissan.com.tw/nissan/">http://new.nissan.com.tw/nissan/</a> )  To treat domestic and foreign shareholders and stakeholders with equity, the company establishes a company website in English ( <a href="http://www.nissan.com.tw/en/">http://www.nissan.com.tw/en/</a> ) 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.	The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left.
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' )	V		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 has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
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).			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>“Accounting information disclosure strategy and Corporate Governance” and “The audit method of internal control and internal audit for Directors and Supervisors”. 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: 30.715 on December 28, 2018).</p> <p>5. Implementation of the risk management policy and risk measurement standards: 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		<p>To strengthen corporate governance, the Audit Committee was established after the reelection of the Board of Directors in 2018. In the future, quantitative management objectives and measures for achieving the management objectives for the coming year will be disclosed.</p> <p>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.</p>

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 & Robert Yu**

Date: August 6, 2018

<b>Evaluation Items</b>	<b>Yes / NO</b>
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 Yun-Hua Yang	V	V		V	V	V	V	V	V	V	V	1	
Independent Director Jung-Fang Kuo		V	V	V	V	V	V	V	V	V	V	2	
Other Hung-Wen Chang	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 from June 30, 2015 to June 20, 2018 . The term for fourth Salary Remuneration Committee was from June 21, 2018 to June 20, 2021 .The third and fourth Salary Remuneration Committees held 10 meetings (A) ,the eligibility of committee members and attendance are outlined below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A) (Note)	Notes
Convener	Yun-Hua Yang	10	0	100%	Appointed on June 21, 2018.
Member	Jung-Fang Kuo	2	0	100%	Appointed on June 21, 2018.
Member	Hung-Wen Chang	2	0	100%	Appointed on June 21, 2018..
Convener	Jin-Shun Wu	8	0	100%	Resigned on June 21, 2108
Member	Robert Mao	7	0	88%	Resigned on June 21, 2018

## 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): Nil.
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: Nil.

## 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.
- (3) Resolution result and discussion items of Remuneration Committee in 2018.

Remuneration Committee	The content of the motion and its follow up action	Result	Response to the Remuneration Committee's opinion
March 9, 2018 The 8th meeting of the 3rd term	2017 Employee compensation distribution	Approved as proposed	Approved by all directors present at the Board meeting.
November 6, 2018 The 1st meeting of the 4th term	2019 Remuneration Committee Calendar.	Approved as proposed	Handled by the head of the Management Department and the task force according to the scheduled calendar.

**(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 2018 promotion performance will be disclosed on the CSR report to be published in June, 2019. The Company's Total donation amount in 2018 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>	
<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. 2. New cars released to the market starting in 2009 shall comply with the “Voluntary Automobile Resource Recycling and Reuse Specification” for R&amp;D/design of products, to promote the voluntary automobile resources</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	
<p>(2) Does the company establish proper environmental management system in accordance with its characteristics of industry?</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>Recycling and reuse specification.</p> <p>1) The vehicle recovery rate has far exceeded the standard (80%) and reached 92.1%.</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> <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. 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>	V		<p>The Company has formulated related management policies and procedures according to the Labor Standards Act, the Factory Act, the Occupational Safety and Health Act, and the Act of Gender Equality in Employment as well as the UN's principles disclosed in the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights and implemented the following to create a respectful, caring business environment that protects the human rights of employees.</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	
			<p>1. Freedom of employment:</p> <p>(1) Labor shall not be forced to work because of rape, coercion, detention or other illegal methods.</p> <p>(2) Wages shall not be withheld as liquidated damages or compensation.</p> <p>(3) Employees may exercise their rights to terminate the employment contract in accordance with the Labor Standards Act.</p> <p>2. Humane treatment: The Company shall provide a safe and healthy work environment and establish preventive measures to prevent employees from having accidents or harming their health at work.</p> <p>(1) Effective health and safety training should be provided for employees on a regular basis.</p> <p>(2) Job opportunities and friendly supporting measures should be provided for people with disabilities.</p> <p>(3) A variety of communication channels should be provided to encourage communication between employees and the management.</p> <p>3. Anti-discrimination:</p> <p>(1) Discrimination on employment, remuneration, promotion, training, retirement, or termination of employment, based on factors, such as race, nationality, religion, gender, age, social class, disability, family and marital status, union membership, and political affiliation, should be prohibited.</p> <p>(2) The Company should not interfere with employees' beliefs, political inclinations, marriage, and the right to follow various customs.</p> <p>(3) Any threats, abuse, exploitation or sexual harassment in the workplace, dormitory or other premises of the Company should be prohibited.</p>	

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(2) Does the company establish employee complaint mechanism and channel with proper handling?	V		4. Ban on child labor: Only job applicants of 18 years old or more are accepted for recruitment, and the identity should be verified to ensure no child labor is employed. Establishes diverse employee communication channel, complaint regulation and handles employee problems immediately.	
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?	V		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. 2. Provide proper protection equipment for employees engaging in special operations. 3. Routinely inspect on all equipment and implement equipment operation training for employees.	
(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?	V		Monthly publication of “YNM Operation Report” that allows employees to fully grasp the current corporate operations and major events.	
(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.	

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(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		2.The outsourcing of new cars after X-Trail will increase the environmental investigation items on the Vendor Quotation Form. 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 <a href="http://www.nissan.com.tw">http://www.nissan.com.tw</a> 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.
5. If the Company has enacted its code of corporate social responsibility in accordance with the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies, please describe its operation and the difference from the Code of Practice: In compliance with the policies promoted by the “Corporate Social Responsibility Practice Principles” of the company.				
6. Other critical information that helps understand the operation of corporate social responsibility: N/A.				
7. Provide description if the corporate social responsibility report has been met the certification standard of relevant certification institute: N/A.				

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

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



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

### Implementation of Integrity Operation

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
1. Develop ethical management policy and program				
(1) Does the company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy?	V		To declare the 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.	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 prevention on non-integral conducts program to specify the operation procedures, conduct guide, punishment and complain system for violation with implementation in all programs?	V		The Company 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.	
(3) Does the company adopt prevention measures according to Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other operational activities of other business scope without higher unethical behavior risk?	V		The company establishes one complete management system to explicitly specify the rights and obligations between the labor and employers with reference on relevant laws and regulation on work conducts as the guidelines for company operation and employees in the execution of operations. In case the company personnel encounter unethical behaviors from others with involvement of legal	

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.	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.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.
(2) Does the company establish a full-time (part-time) organization promoting corporate ethical management under the Board of Directors in addition to routinely report to the Board of the Directors for execution?	V		The 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).	
(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. The Work Rules of the Company also specify that employees shall not operate or engage in positions similar to those of the persons for themselves or others without the permission of the Company, or they	

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		are deemed to be in violation of the employment contract. The Company may terminate the employment contract without notice within 30 days from the date of knowledge. 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		Every year, the Company shall organize training on ethical conduct for each new employee and convey the Procedures for Handling Material Inside Information, the Procedures for the Prevention of Insider Trading, and the Ethical Corporate Management Best Practice Principles via E-mail and the Company’s website. On September 21, 2018, the announcement was made by the Company to convey the Board of Directors and the management’s commitment to ethical corporate management and emphasize that the daily operations or business dealings with suppliers and other counterparties should be conducted in a fair and transparent manner with the legality and records of unethical conduct reviewed carefully. On February 1, 2019, the Company promulgated the Regulations Governing Gift Receipt and Giving for the employees to follow and reduce the possibility of unethical conduct.	

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>3. Operations of company reporting system</p> <p>(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?</p>	V		<p>If employees of the Company find unethical conduct, they may report according to the Working Rules and the grievance handling system to the Auditing Office, the Finance &amp; Business Planning Department, and the management. If such unethical conduct is verified to be true, offenders will be punished according to the internal policies and related laws and regulations. To implement Article 23 of the Ethical Corporate Management Best Practice Principles, the Company has established the independent grievance E-mails for internal and external stakeholders and the procedures for handling grievances. The aforesaid grievance E-mails have also been disclosed on the Company's website.</p> <p>If employees of the Company violate ethical corporate management in a serious manner, they shall be dismissed or laid off according to related laws and regulations or the Company's personnel regulations.</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 investigation standard operation process and relevant confidential mechanism for accepting reported matters?</p>	V			
<p>(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?</p>	V		<p>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.</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. 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, 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 22, 2019

Yulon Nissan Motor Company (Yulon Nissan) has conducted a self-assessment of internal control for the period of 2018. 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.), the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws.
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 upon the evaluation of the aforementioned system, Yulon Nissan considered the Internal Control System during the opening period (including supervision and management of subordinates), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability, timeliness, transparency, and regulatory compliance of reporting and obeying the related internal control system of the relevant laws, regulations, and bylaws, are all effective, and it can ensure that the aforementioned goals can reasonably reached.
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 22, 2019 with 11 directors present at the meeting and none disagreeing with this Statement of Internal Control System.

Yulon Nissan Motor Co., Ltd.

Chairperson: Yen Chen, Li Lien

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 2018 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 2018 and prior to the publication date of annual report**

Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	Mar. 26, 2018	<ol style="list-style-type: none"> <li>1. Approval of 2017 Employee Compensation Distribution</li> <li>2. Approval of 2017 Operating Report and Financial Statements</li> <li>3. Approval of YNM "2017 Internal Control System Statement"</li> <li>4. Approval of "YNM Audit Committee Charter" and related Internal Control System and Audit Implementation Rules.</li> <li>5. Approval of Company Regulation Amendment to Correspond to Supervisor System Which Had Replaced by Audit Committee.</li> <li>6. Approval of amendment the "Internal Control System" and "Audit Implementation Rules"</li> <li>7. Approval of an Election of Directors.</li> <li>8. Convention of 2018 Shareholders' Meeting.</li> </ol>
Board of Directors	May 11, 2018	<ol style="list-style-type: none"> <li>1. Approval of the Company's surplus distribution proposal for fiscal year 2017 each stock is issued with a total of NTD 20.</li> <li>2. Approval of Distribution by Cash from Legal Reserve each stock is issued with a total of NTD 1.</li> <li>3. Addition of The Proposal " Approval of distribution by cash from legal reserve" to 2018 Shareholders' Meeting Agenda.</li> <li>4. Approve the 2018 Operational Objectives.</li> <li>5. Approval to Review the Candidate List of Directors for 2018 Shareholders' Meeting.</li> <li>6. The Lift on the Prohibition on Directors from " Concurrently Act as a Director and/or Manager of another company".</li> <li>7. The Lift on the Prohibition on Managerial Personnel from Acting as a Managerial Personnel of Another Company</li> </ol>
Shareholders Meeting	Jun. 21, 2018	<ol style="list-style-type: none"> <li>1. Recognition of 2017 Operating Report and Financial Statements.</li> <li>2. Approval of the Company's surplus distribution proposal for fiscal year 2017 each stock is issued with a total of NTD 20.</li> <li>3. Approval of Distribution by Cash from Legal Reserve each stock is issued with a total of NTD 1.</li> <li>4. Approval of amendment to " Operational Procedures for Making of Endorsements and Guarantees".</li> <li>5. Approval of amendment to " Operational Procedures for Acquisition and Disposal of Assets".</li> <li>6. Approval of amendment to " Operational Procedures for Derivatives Trading".</li> <li>7. Approval of amendment to " Operational Procedures for Loaning of Funds to Other Parties".</li> <li>8. Election of 7<sup>th</sup> term Directors.</li> <li>9. The Lift on the Prohibition on 7<sup>th</sup> term Directors from "Concurrently Act as a Director and/or Manager of another company".</li> </ol>
Board of Directors	June 21, 2018	Election of Chairman YNM 7 <sup>th</sup> Board.



Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	Agu. 6, 2018	1. Approval of the Members of YNM Fourth Remuneration Committee Appointment. 2. Evaluation of CPA independence and competency 3. Amendment to “Stocks Affair Internal Control Systems”. 4. Amendment to “Stocks Affair Internal Audit Implementation Rules”branch.
Board of Directors	Nov. 12 2018	Nil
Interim Board of Directors	Dec. 7 2018	Election of Chairman YNM 7 <sup>th</sup> Board.
Board of Directors	Dec. 17 2018	Approval of “Annual Audit Plan 2019”
Board of Directors	Jan. 28, 2019	1.Dispose shareholdings in the indirect investment companies “Aeolus Automobile Co., Ltd.”, “Dongfeng Yulon Used Cars Co., Ltd.”, and“Shenzhen Lan You Technology Co., Ltd.” 2.Capital increase of shareholding in the indirect investment company “Guangzhou Aeolus Automobile Co., Ltd.”
Board of Directors	Mar. 22, 2019	1.Approval of 2018 Operating Report and Financial Statements. 2.Approval of 2018 Employee Compensation Distribution 3.Approval of Amendments to the Company’s “Operational Procedures for Acquisition and Disposal of Assets”. 4.Approval of Amendments to the Company’s “Operational Procedures for Derivatives Trading”. 5.Approval of Convention of 2019 Shareholders' Meeting. 6.Approval of YNM ”2018 Internal Control System Statement”. 7.Approval of Deleting Some of the Provisions in the Company’s “Internal Control System”. 8.Approval of Amendments to the company’s “Management of the Procedures for Preparation of Financial Statements”, ”Management of application of International Financial Reporting Standards” and ” Management of Procedures for Professional Accounting Judgements, Processes for Making Changes in Accounting Policies and Estimates” 9.Approval of Amendments to “Internal Audit Implementation Rules”. 10.Approval of Amendments to “Principles of Corporate Governance”. 11.Approval of the Managerial Personnel’s Discharge and Assignment.
Board of Directors	May 10, 2019	1. Approval of Earnings Distribution of Year 2018 each stock is issued with a total of NTD 17.67. 2. Approval of Amendments to the Company’s “Operational Procedures for Loaning of Funds to Other Parties”. 3. Approval of Amendments to the Company’s “Operational Procedures for Making of Endorsements and Guarantees”. 4. Approval of A amendments to the “Internal Audit Implementation Rules”. 5. Approval of the Lift on the Prohibition on Directors from Concurrently Acting as a Director and/or Managerial Personnel of Another Company. 6. Approval of Addition to the Proposals to 2019 Shareholders ’ Meeting Agenda 7. Approval of the 2019 YNM CPA Audit Fees. 8. Approval of Amendments to the Company’s “Stocks Affair Internal Control Systems”. 9. Approval of Amendments to “Performance Evaluation of Board of Directors”

Major Resolutions of Shareholders’ Meeting and Implementation Status

Note (1) Recognized the company 2017 surplus distribution proposal and each share is distributed with cash dividend of NT20, and distribution by Cash from Legal Reserve each stock is issued with



a total of NTD 1.

Execution: August 27, 2018 was assigned as the target date while September 20, 2018 was assigned as the distribution date.

- (2) Approval of amendment to "Operational Procedures for Making of Endorsements and Guarantees".

Execution: According to the rules execution and making announcement in the company website on June 26, 2018.

- (3) 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, 2018.

- (4) Approval of amendment to "Operational Procedures for Derivatives Trading".

Execution: According to the rules execution and making announcement in the company website on June 26, 2018.

- (5) Approval of amendment to "Operational Procedures for Loaning of Funds to Other Parties".

Execution: According to the rules execution and making announcement in the company website on June 26, 2018.

- (6) Election of 7th term Directors.

Execution: Passed by the review Ministry of Economic Affairs, R.O.C. and making announcement in the company website on July 13, 2018.

**(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 2018 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 2018 and prior to the Publication Date of the Annual Report :**

The Company's corporate shareholder: Yulon Motor Co., Ltd, reassigned the representative Mrs. Yen Chen, Li Lien to serve as a director on Dec. 4, 2018. And the Board of Directors by-elect Mrs. Yen Chen, Li Lien to be the Chairperson on Dec. 7, 2018.

#### 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	Robert Yu	2018.01.01-2018.12.31	

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		
6	More than	10,000			v

##### (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				1,137	1,137	2018.01.01-2018.12.31	Tax service
	RRobert Yu							2018.01.01-2018.12.31	

(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: Yen Chen, Li Lien (Note 1)	-	-	-	-
Chairman	Yulon Motor Co., Ltd. Representative: Kenneth K.T. Yen (Note 2)	-	-		
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	-	-	-	-
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: Atsuo TANAKA (Note 3)			-	-
Director	Nissan Motor Co., Ltd. Representative: Masahiro MOCHIZUKI (Note 4)			-	-
Director	Nissan Motor Co., Ltd. Representative: Junichi OHORI (Note 5)	-	-	-	-

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
Director	Nissan Motor Co., Ltd. Representative: Kenji SHIMOYAMA (Note 6)	-	-	-	-
Independent Director	Yun-Hua Yang (Note 7)	-	-	-	-
Independent Director	Hung-Wen Chang (Note 8)	-	-	-	-
Independent Director	Jung-Fang Kuo (Note 9)	-	-	-	-
Independent Director	Jin-Shun Wu (Note 10)	-	-		
Independent Director	Robert Mao (Note 11)	-	-		
Corporation Supervisor	Wei Wen Investment Co., Ltd				
Supervisor	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li (Note 12)	-	-		
Supervisor	Wei Wen Investment Co., Ltd Representative: Tai-Ming Chen (Note 13)	-	-		
Supervisor	Takahiko IKUHIMA (Note 14)	-	-		
President	Leman C.C. Lee	-	-	-	-
Special Assistant to the Chairman	Kuo-Rong Chen	-	-	-	-
Senior Vice President	Atsuo TANAKA (Note 15)				
Senior Vice President	Junichi OHORI (Note 16)	-	-	-	-
Corporate Vice President	Mochizuki MASAHIRO	-	-		
Corporate Vice President	Nishii TARO (Note 17)	-	-	-	-
Corporate Vice President	Kenju SHIMOYAMA (Note 18)	-	-	-	-
Corporate Vice President	Wen-Chuan Chung	-	-	-	-
Corporate Vice President	Joseph Hsiung	-	-	-	-
Senior General Manager	Nishii TARO (Note 19)	-	-	-	-
Senior General Manager	Yoshihiro TAKAHAMA (Note 20)	-	-		

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
General Manager	Tsan-Huang Lin	-	-	-	-
General Manager	Yu-Chou Hsieh	-	-	-	-
General Manager	Wen-Chi Mao (Note 21)	-	-	-	-
General Manager	Wen-Chiang Shu	-	-	-	-
General Manager	Dennis Chang	-	-	-	-
General Manager	Chiung-Ming, Chou	-	-	-	-
General Manager	Chao-Yen Liang	-	-	-	-
General Manager	Yen Chou	-	-	-	-
General Manager	Jacky Lee	-	-	-	-
General Manager	Tu, Jen-Chung	-	-	-	-
General Manager	Michael Lai (Note 22)	-	-	-	-
Accounting Manager	Chen-Hua, Chi	-	-	-	-

Note 1 : Appointed on Dec. 7, 2018.

Note 2 : Resigned on Dec. 7, 2018.

Note 3 : Appointed on Apr. 9, 2019.

Note 4 : Appointed on Apr. 9, 2019.

Note 5 : Resigned on Apr. 9, 2019.

Note 6 : Resigned on Apr. 9, 2019.

Note 7 : Appointed on Jun. 21, 2018.

Note 8 : Appointed on Jun. 21, 2018.

Note 9 : Appointed on Jun. 21, 2018.

Note 10 : Resigned on Jun. 21, 2018.

Note 11 : Resigned on Jun. 21, 2018.

Note 12 : Resigned on Jun. 21, 2018.

Note 13 : Resigned on Jun. 21, 2018.

Note 14 : Resigned on Jun. 21, 2018.

Note 15 : Appointed on Apr. 1, 2019.

Note 16 : Resigned on Apr. 1, 2019.

Note 17 : Appointed on Apr. 1, 2019.

Note 18 : Resigned on Apr. 1, 2019.

Note 19 : Appointed on May. 1, 2018

Note 20 : Resigned on Apr. 1, 2018.

Note 21 : Resigned on Feb. 28, 2019

Note 22 : Appointed on Jan. 1, 2019

**(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	0	0.00	0	0.00	Yu Ching Business Co., Ltd. Sin Chi Co., Ltd. Diamond Hosiery & Thread Co., Ltd. Lo-Wen Enterprises Co., Ltd	Affiliates Affiliates Affiliates Affiliates	Director
Yen Chen, Li Lien	0	0.00	0	0.00	0	0.00	-	-	Representative of Director
Kuo-Rong Chen	5,000	0.00	0	0.00	0	0.00	-	-	
Zhen-Xiang Yao	0	0.00	0	0.00	0	0.00	-	-	
Leman C.C. Lee	0	0.00	0	0.00	0	0.00	-	-	
Nissan Motor Corporation	120,000,000	40.00	0	0.00	0	0.00	-	-	Director
Takashi NISHIBAYASHI	0	0.00	0	0.00	0	0.00	-	-	Representative of Director
Atsushi KUBO	0	0.00	0	0.00	0	0.00	-	-	
Atsuo TANAKAM	0	0.00	0	0.00	0	0.00	-	-	
Masahiro MOCHIZUKI	0	0.00	0	0.00	0	0.00	-	-	
Yu Ching Business Co., Ltd.	3,500,000	1.17	0	0.00	0	0.00	Yulon Motor Co., Ltd. Sin Chi Co., Ltd. Diamond Hosiery & Thread Co., Ltd. Lo-Wen Enterprises Co., Ltd	Affiliates Affiliates Affiliates Affiliates	Representative: Zhen-Xiang Yao
Sin Chi Co., Ltd.	3,050,000	1.02	0	0.00	0	0.00	Yulon Motor Co., Ltd. Yu Ching Business Co., Ltd. Diamond Hosiery & Thread Co., Ltd. Lo-Wen Enterprises Co., Ltd	Affiliates Affiliates Affiliates Affiliates	Representative: Zhen-Xiang Yao
Wei Wen Investment Co., Ltd.	1,878,000	0.63	0	0.00	0	0.00	Lo-Wen Enterprises Co., Ltd. Wei Tai Investment Co., Ltd.	Affiliates Affiliates	-
Wei Tai Investment Co., Ltd.	1,778,000	0.59	0	0.00	0	0.00	Lo-Wen Enterprises Co., Ltd. Wei Wen Investment Co., Ltd.	Affiliates Affiliates	-
Diamond Hosiery & Thread Co., Ltd.	1,768,000	0.59	0	0.00	0	0.00	Yulon Motor Co., Ltd. Yu Ching Business Co., Ltd. Sin Chi Co., Ltd. Lo-Wen Enterprises Co., Ltd.	Affiliates Affiliates Affiliates Affiliates	Representative: Yen Chen, Li Lien
Lo-Wen Enterprises Co., Ltd	1,700,000	0.57	0	0.00	0	0.00	Yulon Motor Co., Ltd. Yu Ching Business Co., Ltd. Sin Chi Co., Ltd. Wei Wen Investment Co., Ltd. Wei Tai Investment Co., Ltd. Diamond Hosiery & Thread Co., Ltd.	Affiliates Affiliates Affiliates Affiliates Affiliates Affiliates	-
Taiwan Life Insurance Co., Ltd	1,042,000	0.35	0	0.00	0	0.00	-	-	-
Yen Tjing-Ling Industrial Development Foundation	1,001,000	0.33	0	0.00	0	0.00	-	-	-

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

Unit : number of shares: %

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



## | IV 、 Capital Raising Status |

### 1. Capital and Shares

#### (1)Source of Share Capital

##### 1.Source of Share Capital

Unit : thousand Shares : NTD : thousand Dollars

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

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

##### 2.Class of Shares

Unit : thousand Shares

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

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

#### (2)Structure of Shareholders

May. 2, 2019

Structure of Shareholders Quantity(Qty)	Governme ntal Institution	Financial Institution	Other Institution	Natural Person	Foreign Institutional and Natural Person	Total
	Number	1	10	84	5,019	71
Shares	787,500	2,300,000	162,748,270	12,016,879	122,147,351	300,000,000
Percentage	0.26%	0.77%	54.25%	4.01%	40.71%	100%

**(3) Status of Ownership Dispersion**

Par value per share: NTD 10.00

May 2, 2019

Shareholding class	No. of shareholders	Shares	Percentage
1 ~ 999	1,002	103,228	0.03%
1,000 ~ 5,000	3,676	6,152,616	2.05%
5,001 ~ 10,000	272	2,143,978	0.72%
10,001 ~ 15,000	70	917,000	0.31%
15,001 ~ 20,000	43	791,249	0.26%
20,001 ~ 30,000	39	1,026,508	0.34%
30,001 ~ 40,000	16	569,633	0.19%
40,001 ~ 50,000	8	356,720	0.12%
50,001 ~ 100,000	23	1,475,858	0.49%
100,001 ~ 200,000	15	2,132,180	0.71%
200,001 ~ 400,000	4	1,273,030	0.43%
400,001 ~ 600,000	5	2,333,500	0.78%
600,001 ~ 800,000	2	1,507,500	0.50%
800,001 ~ 1,000,000	0	0	0%
Make a self classification based on the actual situation when above 1,000,001	10	279,217,000	93.07%
Total	5,185	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%
Taiwan Life Insurance Co., Ltd		1,042,000	0.35%
Yen Tjing-Ling Industrial Development Foundation		1,001,000	0.33%

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

Item		Fiscal Year		Current Fiscal Year and before May 11, 2019	
		2017 year	2018 year		
Market value Per share (Note1)	Highest	332.00	276.00	266.50	
	Lowest	195.50	210.5	226.00	
	Average	248.18	247.73	246.70	
Net Assets Per share (Note2)	Before distribution	70.65	68.19	74.45	
	After distribution	-	-	-	
EPS(Earning Per Share)	Weighted average number of shares	300,000,000	300,000,000	300,000,000	
	EPS(Earning Per Share) (Note3)	22.14	19.63	5.05	
Dividend Per share	Cash Dividend		20	21	-
	Stock Dividend	-	-	-	-
		-	-	-	-
	Cumulative un-paid dividend(Note4)		-	-	-
Analysis on ROI(Return on Investment)	Price-Earnings(P/E) Ratio(Note5)		11.21	12.62	-
	Price-Dividend Ratio(Note6)		12.41	11.80	-
	Dividend Yield(Note7)		8.06%	8.48%	-

\* In case of surplus or capital reserve reinvested to allotment of shares, the number of shares to be distrusted should be disclosed with traced adjustment of market value and cash dividend information.

Note 1: Denotes the highest common shares and lowest market value for each year, calculated for the average annual market value for the trading value of each year and the trading volume.

Note 2: Please use the number of share outstanding by the end of the year and filled out by the distribution of the resolutions made by the Shareholders' meeting the second year.

Note 3: In the event of free allotment and requires tracing for adjustment, each EPS shall be listed before and after adjustment.

Note 4: In case the condition of outstanding equity security is distributed according to the undistributed dividends of that year accumulated to the year with surplus, the cumulative unpaid dividends of that year shall be disclosed respectively.

Note 5: Price-Earnings Ratio = Current average closing price per share / EPS

Note 6: Price-Earnings Ratio = Current average closing price per share / Cash dividend

Note 7: Cash Dividend Yield = Cash dividend / Current average closing price per share

Note 8: Each net value and EPS shall be filled to the print date of annual report with the data attested (reviewed) by the CPA in last quarter.

The other columns should also be filled up to the current year data as of the print date of the annual report.

### (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 2018 for the dividend distribution is cash dividend at NT\$17.67 per share.

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

**(8) Compensation of the Employee, Directors and Supervisors**

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

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 2018 cash remuneration payable to employees at the Board of Directors Meeting on March 22, 2019 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:

## 2018 director, supervisor and employee compensation

	Board Resolution (03/22/2019)	
	Amount (NT\$)	
Directors' and Supervisors' Compensation (Cash)	0	
Employee's Compensation (Cash)	7,684,246	
Total	7,684,246	

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

	Board Resolution (03/26/2018)	Actual Result
	Amount (NT\$)	Amount (NT\$)
Directors/Supervisors remuneration (Cash)	0	0
Employee bonus (Cash)	8,011,433	8,011,433
Total	8,011,433	8,011,433

Note: The employee bonus \$8,011,433 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 2017		Fiscal year 2018	
	Amount	Percentage(%)	Amount	Percentage(%)
Finished cars	29,274,487	88.12	27,409,358	87.69
Parts	3,818,369	11.49	3,701,860	11.84
Other	128,918	0.39	146,512	0.47
Total	33,221,774	100.00	31,257,730	100.00

#### (3) Current main products

##### A. NISSAN brand:

KICKS series : 1.5L featuring continuously variable transmission, 5-door RV.

MARCH series: 1.5L 4-speed automatic 5-door sedan.

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

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

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

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 DCT 5-Door Luxury Hatchback.

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

Q60: L4 2.0L Turbo/V6 3.0L Turbo/Automatic 7-speed, 2-door luxury sport Coupe.

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

QX30: L4 2.0L Turbo 7-speed DCT 5-Door compact crossover SUV.

QX50: L4 2.0L CVT Continuously Variable Transmission, 5-door mid-sized luxury SUV.

QX60: V6 3.5L CVT Continuously Variable Transmission, 5-Door 7-passenger luxury SUV.

QX70: V6 3.7L Automatic 7-speed 5-door Luxury Sport SUV.

## (2) Industry Summary

### 1. Industry Environment Analysis

#### (1) Global Economic Environment

Due to the China-US trade war, economic slowdown in China, and uncertainty in Brexit, most economic forecast institutions estimated that the global economic growth momentum would slow down this year compared with the previous year. The estimation of the global

economic growth in 2019 made by research institutions is shown in the following table:

2019 Global Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
IMF International Monetary Fund	3.3%	April 2019
IHS Global Insight	2.8%	May 2019

(2) China Economic Environment

Although the economic growth rate (6.5%) in 2018 hit the bottom in nearly 28 years, most economic forecast institutions held a pessimistic view on this year's economy due to the China-US trade war, withdrawal of foreign investments, and aggravation of the financial status. The estimation of the economic growth in mainland China made by research institutions is shown in the following table:

2019 China Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
China Government	6.0%~6.5%	March 2019
IMF International Monetary Fund	6.3%	April 2019
IHS Markit	6.2%	May 2019

(3) Domestic Economic Environment

Although export and export orders have not performed well recently, they have benefited from the strong demand for information and communications products in Europe and the U.S., and the decline has picked up significantly; in addition, the international prices of raw materials rebounded, making manufacturers turn optimistic about the future economy. The estimation of the economic growth in Taiwan made by research institutions is shown in the following table:

2019 Taiwan Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
Directorate-General of Budget, Accounting and Statistics, Executive Yuan.R.O.C.(Taiwan)	2.19%	May 2019
Chung Hua Institute for Economic Research	2.15%	Apr 2019
IMF International Monetary Fund	2.5%	Apr 2019
IHS Markit	2.0%	May 2019

## 2. Industry Overview and Development

Due to the pension reform, economic downturn, and descending benefits of the exemption from the exercise tax for the replacement of vehicles, sales decreased by 2.6% from 2017. In 2018, the total sales was 423,187 cars, an decrease of 2.6% compared with 2017. The sale of made-in-Taiwan vehicle was 225,931 cars, which declined by 9.3% than 2017; imported vehicle was 197,256 cars, which grown by 6.4% than 2017; market share grown to 46.6%.

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 2018, 48,606 domestic small saloon cars under 1600cc were sold, indicating a decreased rate of 6.9% compared to 2017, accounting for 26.3% of the domestic passenger car market.

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

In 2018, The medium sedan market sales reached 52,397 cars , indicating a decreased rate of 25.4% compared to 2017, accounting for 28.4% 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 2018 amounts to 4,290 cars, indicating a decreased rate of 35.9% compared to 2017, accounting for 2.3% of the large-sized car market.

(4) RV car models

The sales volume in the RV car market is 196,242 vehicles, the sales volume with an increase of 12.3% from 2017.

**(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 2017	Fiscal year 2018	Current Fiscal Year and before May 11,2019(Note)
R&D expenditure	672,305	707,445	146,634
Net Sales	33,221,774	31,257,730	11,140,987
Percentage of R&D expenditure over Net Sales	2%	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 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.
- (15)September 2018: Completed the development of remodeled SUPER SENTRA / BIG TIIDA.
- (16)October 2018: Completed the development of remodeled A ALL NEW LIVINA '19 in accordance with the TPMS regulations.
- (17) November 2018: Completed the development of remodeled NEW MARCH '19 in accordance with the TPMS regulations.
- (18)November 2018: Completed the development of new KICKS model.

### 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 KICKS, LIVINA, SENTRA, TIIDA, and X-TRAIL are all best-selling models in the market. In response to the rise of energy saving and environmental awareness, not only will our Company follows NISSAN's global product strategy by launching the EV/HEV models in near future, but we will also strengthen the SUV/e-Power 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

2019	2020	2021
512,605	547,749	514,350

### (4) Long, short term business development plan

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 ”, the brand development focuses on three pillars, namely “driver and customer oriented”, “streamline and elegant”, and “high-tech embedded”.
- (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:

### 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 2018, the local sales weight is 99%, and Egypt and Indonesia are the main export sales areas, the sales weight is 1%.

#### 2. Market Share

In 2018, we sold 33,764 general cars with a market share of 14.9% and 2,943 import ones, with a market share of 1.5%. The total sales volume is 36,707 units and the market share is 8.7%.

#### 3. Analysis and Description of 2018 Market Sales Status and Growth

Due to the decrease in demand for the replacement of vehicles and economic downturn in 2018, the number of new cars registered in Taiwan in 2018 was only 423,000, down 2.6% from 2017. In 2018, the sales volume of domestic passenger cars was 105,293, which was 18.5% lower than 129,207 in 2017. The sales volume of RV was 196,242, which was 12.3% higher than 174,761 in 2017; the low-cost models of luxury car brands were continuously imported, and the market share reached 46.6% hitting a record high over the 20 years. This resulted in a continuous decline in the proportion of domestic cars to 53.4% in 2018, down 3.9% compared with 57.3% in 2017, showing the increasing difficulty in the operation of domestic cars.

#### 4. Market Sales Forecast for This Year (2019)

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 2019. From January to April 2019, 126,971 cars were sold in the market, an decrease of 12.9% over the same period last year.

In 2019 the Company will continue to improve its brand image of "innovation that excites" and favorability through face-lifted launches of TIIDA, SENTRA, KICKS 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. 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) 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) Learning Organization
- A. Increase our employees' core, management and professional competency.
  - B. Increase the use of Nissan's V-UP system problem solving approach and gradually accumulate our acquired successful experience to form an innovative learning organization and establish long-term competitive advantages.
  - C. Set up a KMS knowledge base and concretize successful experience to build a long-term competitive advantage.
  - D. Improve the operating efficiency through continuous process checks and reengineering.
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 increasing convenience and popularity of public transport affect consumers' willingness to use and buy cars.
  - C. The 2040 electric car policy framework and environmental support are unclear, which may affect the medium-term and long-term development of renewable vehicles and cause potential business risks.
  - D. The proportion of old vehicles in Taiwan is too high. In 2018, the number of vehicles aged over 10 years accounted for 52.7% of total vehicles in Taiwan; the number of vehicles aged over 15 years accounted for 30.7% of total vehicles in Taiwan, and the figure continued to grow. This had a negative impact on driver safety and environmental protection and also affected consumers' willingness to buy new 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 2017				Fiscal year 2018				First Quarter in 2019			
	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.	25,632,031	99	Relative Party	Yulon Motor Co., Ltd.	24,542,096	99	Relative Party	Yulon Motor Co., Ltd.	6,904,253	98	Related Party
2	Others	298,657	1		Others	348,711	1		Others	114,823	2	
	Net Purchase amount	25,930,688	100		Net Purchase amount	24,890,807	100		Net Purchase amount	7,019,076	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 2017			Fiscal year 2018			First Quarter in 2019		
		Amount	% to Net Purchase	Relationship with Yulon-Motor	Amount	% to Net Purchase	Relationship with Yulon-Motor	Amount	% to Net Purchase	Relationship with Yulon-Motor
1	Taiwan Acceptance Corporation	29,166,734	88	Relative Party	27,315,091	89	Relative Party	7,774,632	88	Related Party
2	Others	4,055,040	12		3,942,639	11		1,061,599	12	
	Net Purchase amount	33,221,774	100		3,257,730	100		8,836,231	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 2017		Fiscal year 2018		Fiscal year 2017		Fiscal year 2018	
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Vehicle	42,668	29,273,945	-	542	37,762	27,409,358	-	
Parts	-	3,670,158	-	148,211	-	3,548,290	-	153,570
Other	-	96,367	-	32,551	-	86,554	-	59,958
Total	-	33,040,470	-	181,304	-	31,044,202	-	213,528



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

Fiscal Year		Fiscal year 2017	Fiscal year 2018	Current Fiscal Year and before May 11, 2019.
No. of Employee	Marketing	178	166	163
	Management	87	94	92
	Reserch & Development	167	166	167
	Total	432	426	422
Average age		41.00	42.30	42.50
Average seniority		12.74	13.87	13.98
Academy Ratio	Doctor	0	1	0
	Master	227	225	223
	College	177	176	175
	Senior High School	27	23	23
	Below Senior High School	1	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.
- (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 2018 and 2017, 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 NT14,825 thousand and NT14,440 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	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	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	Chen Long Motor Co., Ltd. and other 2 companies	2019.3.1~ 2010.2.29	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
Distribution agreement	Yu Sin Motor Co., Ltd. and other 4 companies	2019.3.1~ 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

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

## | VI · Financial Information |

### 1. Condensed Financial Statements for the recent 5 fiscal year

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

Unit : NTD thousand

Item		Financial Data in recent 5 years					The financial data as of March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Current Assets		10,174,765	10,473,513	12,208,994	8,005,623	7,749,776	7,679,887
Property, plant and equipment		1,758,753	1,936,231	1,703,040	1,479,225	1,793,200	1,675,514
Intangible assets		12,346	14,330	17,407	20,882	25,152	24,967
Other assets		24,538,542	18,736,489	15,797,481	16,264,911	16,531,619	19,038,379
Total Assets		36,484,406	31,160,563	29,726,922	25,770,641	26,099,747	28,418,747
Current Liabilities	Before distribution	6,369,203	6,988,624	6,310,765	2,545,626	2,838,463	2,838,462
	After distribution	15,369,203	10,738,624	12,910,765	8,845,626	Note2	-
Non-current liabilities		3,184,691	2,216,761	1,861,814	2,030,391	2,319,542	3,244,335
Total Liabilities	Before distribution	9,553,894	9,205,385	8,172,579	4,576,017	5,642,713	6,082,797
	After distribution	18,553,894	12,955,385	14,772,579	10,876,017	Note2	-
Equity attributable to owners of the company		26,930,512	21,955,178	21,554,343	21,194,624	20,457,034	22,335,949
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	16,384,208	11,523,312	12,387,086	12,440,237	12,059,784	13,580,119
	After distribution	7,384,208	7,773,312	5,787,086	6,140,237	Note2	-
Other equity		1,416,899	1,302,461	37,852	(375,018)	(732,155)	(373,775)
Treasury stock		-	-	-	-	-	-
Noncontrolling interest (NCI)		-	-	-	-	-	-
Total equity	Before distribution	26,930,512	21,955,178	21,554,343	21,194,624	20,457,034	22,335,949
	After distribution	17,930,512	18,205,178	14,954,343	14,894,624	Note2	-

Note 1: Quarterly Statement of the First Quarter of 2019 has not been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2019 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, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Current Assets		16,262,960	12,313,731	12,843,955	8,783,713	8,364,080	8,306,441
Property, plant and equipment		1,758,753	1,936,231	1,703,040	1,479,225	1,793,200	1,675,514
Intangible assets		12,346	14,330	17,407	20,882	25,152	24,967
Other assets		18,472,488	16,914,743	15,175,346	15,492,967	15,917,315	18,411,824
Total Assets		36,506,547	31,179,035	29,739,748	25,776,787	26,099,747	28,418,746
Current Liabilities	Before distribution	6,369,203	6,989,699	6,310,765	2,545,626	3,323,171	2,838,462
	After distribution	15,369,203	10,739,699	12,910,765	8,845,626	Note2	-
Non-current liabilities		3,206,832	2,234,158	1,874,640	2,036,537	2,319,542	3,244,335
Total Liabilities	Before distribution	9,576,035	9,223,857	8,185,405	4,582,163	5,642,713	6,082,797
	After distribution	18,576,035	12,973,857	14,785,405	10,882,163	Note2	-
Equity attributable to owners of the company		26,930,512	21,955,178	21,554,343	21,194,624	20,457,034	22,335,949
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	16,384,208	11,523,312	12,387,086	12,440,237	12,059,784	13,580,319
	After distribution	7,384,208	7,773,312	5,787,086	6,140,237	Note2	-
Other equity		1,416,899	1,302,461	37,852	(375,018)	(732,155)	(373,775)
Treasury stock		-	-	-	-	-	-
Noncontrolling interest (NCI)		-	-	-	-	-	-
Total equity	Before distribution	26,930,512	21,955,178	21,554,343	21,194,624	20,457,034	22,335,949
	After distribution	17,930,512	18,205,178	14,954,343	14,894,624	Note2	-

Note 1: Quarterly Statement of the First Quarter of 2019 has been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2019 general meeting of shareholders.

**Individual Condensed Income Statement-IFRS**

Unit : NTD thousand

Item	Fiscal Year	Financial Data in recent 5 years					The financial data as of March 31, 2019 (Note)
		2014	2015	2016	2017	2018	
Operating Revenue		33,170,141	33,218,394	34,860,446	33,221,774	31,257,730	8,836,231
Gross Profit		4,314,965	5,305,213	5,046,649	6,184,455	5,326,727	1,503,189
Operating profit or loss		801,184	1,256,316	1,224,263	2,096,150	1,360,274	374,070
Non-operating Income and Expenses		7,225,493	3,743,371	4,361,841	5,907,271	6,316,286	1,518,353
Profit before tax		8,026,677	4,999,687	5,586,104	8,003,421	7,676,560	1,892,423
Net income (loss)		6,523,759	4,165,901	4,630,615	6,642,500	5,890,046	1,514,121
Other comprehensive profit and loss (net)		1,207,276	(141,235)	(1,281,450)	(402,219)	(327,636)	364,787
Total current comprehensive profit and loss		7,731,035	4,024,666	3,349,165	6,240,281	5,562,410	1,878,915
Net income attributable to parent company's shareholders		6,523,759	4,165,901	4,630,615	6,642,500	5,890,046	1,154,128
Net income attributable to unrestrictive equity		-	-	-	-	-	-
Total comprehensive profit and loss attributable to parent company's shareholders		7,731,035	4,024,666	3,349,165	6,240,281	5,562,410	1,878,915
Total comprehensive profit and loss attributable to unrestrictive equity		-	-	-	-	-	-
EPS (Earning Per Share)		21.75	13.89	15.44	22.14	19.63	5.05

Note : Quarterly Statement of the First Quarter of 2019 has not been reviewed by CPAs.

### Consolidated Condensed Income Statement-IFRSs

Unit : NTD thousand

Fiscal Year Item	Financial Data in recent 5 years					The financial data as of March 31, 2019 (Note)
	2014	2015	2016	2017	2018	
Operating Revenue	33,176,837	33,218,394	34,860,446	33,221,774	31,257,730	8,836,231
Gross Profit	4,321,661	5,305,213	5,046,649	6,184,455	5,326,727	1,503,189
Operating profit or loss	786,229	1,234,816	1,202,037	2,075,688	1,336,754	368,131
Non-operating Income and Expenses	7,240,448	3,764,871	4,384,067	5,927,733	6,339,806	1,524,292
Profit before tax	8,026,677	4,999,687	5,586,104	8,003,421	7,676,560	1,892,423
Net income (loss)	6,523,759	4,165,901	4,630,615	6,642,500	5,890,046	1,514,128
Other comprehensive profit and loss (net)	1,207,276	(141,235)	(1,281,450)	(402,219)	(327,636)	364,787
Total current comprehensive profit and loss	7,731,035	4,024,666	3,349,165	6,240,281	5,562,410	1,878,915
Net income attributable to parent company's shareholders	6,523,759	4,165,901	4,630,615	6,642,500	5,890,046	1,514,128
Net income attributable to unrestrictive equity	-	-	-	-	-	-
Total comprehensive profit and loss attributable to parent company's shareholders	7,731,035	4,024,666	3,349,165	6,240,281	5,562,410	1,878,915
Total comprehensive profit and loss attributable to unrestrictive equity	-	-	-	-	-	-
EPS (Earning Per Share)	21.75	13.89	15.44	22.14	19.63	5.05

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

#### (2) CPAs' Name and Auditor opinions

Fiscal Year	2014	2015	2016	2017	2018
CPA (Certified public accountant)	Chien-Hsin Hsieh Wan-Yi Liao	Wan-Yi Liao Chien-Hsin Hsieh	Wan-Yi Liao Chien-Hsin Hsieh	Wan-Yi Liao Robert Yu	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, 2019 (Note 1)
		2014	2015	2016	2017	2018			
Finance Structure%	Debt to assets ratio	26	30	27	18	22	21		
	Long term funds to Property, plant and equipment ratio	1,712	1,248	1,375	1,570	1,270	1,527		
Liquidity %	Current Ratio	160	150	193	314	233	271		
	Quick Ratio	160	150	193	314	233	266		
	Interest coverage ratio	189	137	162	718	7701	941		
Operating Performance	Receivables turnover (times)	105	93	69	43	33	40		
	Average number days receivables outstanding	3	4	5	8	11	9		
	Inventory turnover (times)	12,058	9,694	10,785	21,552	-	-		
	Payable turnover (times)	31	36	23	26	22	26		
	Average inventory turnover days	-	-	-	-	-	-		
	Property, plant and equipment turnover (times)	19	18	19	21	19	20		
	Total asset turnover (times)	1	1	1	1	1	1		
Profitability	Return on assets (%)	18	12	15	24	23	22		
	Return on equity (%)	25	17	21	31	28	28		
	Pre-tax Income to Paid-in Capital Ratio (%)	268	166	186	267	256	252		
	Profit margin (%)	20	13	13	20	19	17		
	Earning Per Share (NT dollar)	21.75	13.89	15.44	22.14	19.62	5.05		
Cash Flow	Cash flow from operations ratio (%)	3	Note3	Note3	107	64	Note3		
	Cash flow adequacy ratio (%)	46	29	17	12	12	6		
	Cash Flow Re-investment Ratio (%)	Note2	Note3	Note3	Note2	Note2	Note3		
Leverage	Operating leverage	2	2	1	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 2014- 2018 has been reviewed by CPAs. Quarterly individual Statement of the First Quarter in 2019 has not been reviewed by CPAs.

Note2 : 2014, 2017 & 2018 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : 2015, 2016 and first Quarter in 2019 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, 2019 (Note 1)
		2014	2015	2016	2017	2018			
Finance Structure%	Debt to assets ratio	26	30	28	18	22	21		
	Long term funds to Property, plant and equipment ratio	1,714	1,249	1,376	1,571	1,271	1,527		
Liquidity %	Current Ratio	255	176	204	345	252	293		
	Quick Ratio	247	175	203	344	251	288		
	Interest coverage ratio	189	137	162	718	7,701	941		
Operating Performance	Receivables turnover (times)	106	75	56	44	34	40		
	Average number days receivables outstanding	3	5	6	8	11	9		
	Inventory turnover (times)	12,058	9,694	10,785	21,552	-	-		
	Payable turnover (times)	31	26	31	26	22	26		
	Average inventory turnover days	-	-	-	-	-	-		
	Property, plant and equipment turnover (times)	19	18	19	21	19	20		
	Total asset turnover (times)	1	1	1	1	1	1		
Profitability	Return on assets (%)	18	12	15	24	23	22		
	Return on equity (%)	25	17	21	31	28	28		
	Pre-tax Income to Paid-in Capital Ratio (%)	268	167	186	267	256	252		
	Profit margin (%)	20	13	13	20	19	17		
	Earning Per Share (NT dollar)	21.75	13.89	15.44	22.14	19.63	5.05		
Cash Flow	Cash flow from operations ratio (%)	Note3	Note3	Note3	85	45	Note3		
	Cash flow adequacy ratio (%)	69	39	8	2	2	Note3		
	Cash Flow Re-investment Ratio (%)	Note3	Note3	Note3	Note2	Note2	Note3		
Leverage	Operating leverage	2	2	1	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 2014- 2018 has been reviewed by CPAs. Quarterly Statement of the First Quarter in 2019 has been reviewed by CPAs.

Note2 : 2017&2018 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : 2014, 2015, 2016 and first Quarter in 2019 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. Audit Committee's Report

#### Yulon Nissan Motor Co., Ltd.

#### Audit Committee's 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 aforementioned Business Report, Financial Statements and Earnings Distribution Proposal were inspected by the Audit Commission who affirmed that these reports have complied with Article 14.4 of the Securities Exchange Act and Article 219 of the Company Law.

Yours truly

2019 Shareholders' Meeting

Yulon Motor Co., Ltd.

Audit Committee Convenor : Jung-Fang Kuo



May 10, 2019

## 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 2018 was \$379,843 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, 2018, the carrying amount of the provisions for warranties was \$151,751 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 15 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 the audit committee, 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, 2018 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 partners on the audit resulting in this independent auditors' report are Wan-I Liao and Cheng-Chuan Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2019

#### 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, 2018 AND 2017

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 6,423,983	25	\$ 6,045,156	23
Financial assets at fair value through profit or loss (Notes 4 and 7)	325,129	1	874,052	3
Notes receivable - related parties (Notes 4, 19 and 27)	513	-	1,612	-
Trade receivables (Notes 4, 8 and 19)	31,340	-	39,135	-
Trade receivables - related parties (Notes 4, 19 and 27)	900,466	4	902,139	4
Other receivables (Notes 4 and 8)	56,102	-	123,460	1
Prepayments (Note 27)	<u>12,243</u>	<u>-</u>	<u>20,069</u>	<u>-</u>
Total current assets	<u>7,749,776</u>	<u>30</u>	<u>8,005,623</u>	<u>31</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method (Notes 4 and 10)	16,244,030	62	16,023,303	62
Property, plant and equipment (Notes 4, 5, 11 and 27)	1,793,200	7	1,479,225	6
Computer software (Notes 4 and 12)	25,152	-	20,882	-
Deferred tax assets (Notes 4 and 21)	116,324	-	127,060	1
Other non-current assets (Notes 13 and 27)	<u>171,265</u>	<u>1</u>	<u>114,548</u>	<u>-</u>
Total non-current assets	<u>18,349,971</u>	<u>70</u>	<u>17,765,018</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,770,641</u>	<u>100</u>



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

LIABILITIES AND EQUITY	2018		2017	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 19 and 27)	\$ 50,553	-	\$ -	-
Trade payables	146,794	1	55,385	-
Trade payables - related parties (Note 27)	1,303,228	5	875,464	3
Other payables (Note 14)	981,106	4	913,372	4
Current tax liabilities (Notes 4 and 21)	648,662	2	442,943	2
Provisions (Notes 4, 5 and 15)	188,149	1	192,278	1
Other current liabilities (Notes 16 and 27)	4,679	-	66,184	-
Total current liabilities	<u>3,323,171</u>	<u>13</u>	<u>2,545,626</u>	<u>10</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 19 and 27)	22,487	-	-	-
Provisions (Notes 4, 5 and 15)	61,364	-	62,931	-
Net defined benefit liabilities (Notes 4 and 17)	329,881	1	392,625	2
Deferred tax liabilities (Notes 4 and 21)	1,905,810	8	1,511,815	6
Other non-current liabilities (Notes 16 and 27)	-	-	63,020	-
Total non-current liabilities	<u>2,319,542</u>	<u>9</u>	<u>2,030,391</u>	<u>8</u>
Total liabilities	<u>5,642,713</u>	<u>22</u>	<u>4,576,017</u>	<u>18</u>
<b>EQUITY</b>				
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>12</u>
Capital surplus	<u>6,129,405</u>	<u>23</u>	<u>6,129,405</u>	<u>24</u>
Retained earnings				
Legal reserve	4,884,164	19	4,519,914	17
Special reserve	1,163,895	4	788,877	3
Unappropriated earnings	<u>6,011,725</u>	<u>23</u>	<u>7,131,446</u>	<u>28</u>
Total retained earnings	<u>12,059,784</u>	<u>46</u>	<u>12,440,237</u>	<u>48</u>
Other equity	<u>(732,155)</u>	<u>(3)</u>	<u>(375,018)</u>	<u>(2)</u>
Total equity	<u>20,457,034</u>	<u>78</u>	<u>21,194,624</u>	<u>82</u>
TOTAL	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,770,641</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, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Note 19 and 27)				
Sales (Note 4)	\$ 31,111,218	100	\$ 33,092,856	100
Service revenue (Note 4)	59,958	-	32,551	-
Other operating revenue	<u>86,554</u>	<u>-</u>	<u>96,367</u>	<u>-</u>
Total operating revenue	31,257,730	100	33,221,774	100
OPERATING COSTS (Notes 9, 20 and 27)	<u>25,931,003</u>	<u>83</u>	<u>27,037,319</u>	<u>82</u>
GROSS PROFIT	<u>5,326,727</u>	<u>17</u>	<u>6,184,455</u>	<u>18</u>
OPERATING EXPENSES (Notes 20 and 27)				
Selling and marketing expenses	2,886,302	9	3,092,559	9
General and administrative expenses	372,706	1	322,756	1
Research and development expenses	<u>707,445</u>	<u>2</u>	<u>672,305</u>	<u>2</u>
Total operating expenses	<u>3,966,453</u>	<u>12</u>	<u>4,087,620</u>	<u>12</u>
OTHER OPERATING INCOME AND EXPENSES (Note 20)	<u>-</u>	<u>-</u>	<u>(685)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,360,274</u>	<u>5</u>	<u>2,096,150</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiary	6,170,791	20	6,225,205	19
Interest income (Note 4)	27,523	-	139,956	-
Gain on financial assets at fair value through profit or loss, net	2,998	-	4,052	-
Other revenue (Note 27)	4,434	-	2,000	-
Gain (loss) on disposal of investments, net (Note 20)	(2,496)	-	1,945	-
Net foreign exchange gain (loss) (Note 20)	127,481	-	(441,720)	(1)
Interest expenses (Note 27)	(997)	-	(11,158)	-
Overseas business expenses (Note 27)	(10,156)	-	(10,915)	-
Other losses (Note 27)	<u>(3,292)</u>	<u>-</u>	<u>(2,094)</u>	<u>-</u>
Total non-operating income and expenses	<u>6,316,286</u>	<u>20</u>	<u>5,907,271</u>	<u>18</u>
PROFIT BEFORE INCOME TAX	7,676,560	25	8,003,421	24
INCOME TAX EXPENSES (Notes 4 and 21)	<u>1,786,514</u>	<u>6</u>	<u>1,360,921</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>5,890,046</u>	<u>19</u>	<u>6,642,500</u>	<u>20</u>

(Continued)

## YULON NISSAN MOTOR COMPANY, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 33,034	-	\$ 12,930	-
Share of the other comprehensive loss of subsidiaries accounted for using equity method	(67)	-	(98)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>(3,466)</u>	<u>-</u>	<u>(2,181)</u>	<u>-</u>
	<u>29,501</u>	<u>-</u>	<u>10,651</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(357,137)</u>	<u>(1)</u>	<u>(412,870)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(327,636)</u>	<u>(1)</u>	<u>(402,219)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,562,410</u>	<u>18</u>	<u>\$ 6,240,281</u>	<u>19</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$19.63</u>		<u>\$22.14</u>	
Diluted	<u>\$19.63</u>		<u>\$22.14</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, 2018 AND 2017

	<b>Capital Stock</b>	<b>Capital Surplus (Note 18)</b>
BALANCE AT JANUARY 1, 2017	<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>
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>
Appropriation of 2017 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2018	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-
	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year ended December 31, 2018	-	-
	<u>-</u>	<u>-</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

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

Retained Earnings (Notes 18 and 21)			Other Equity	Total Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	
\$ 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
664,250	-	(664,250)	-	-
-	375,018	(375,018)	-	-
(300,000)	-	(6,000,000)	-	(6,300,000)
364,250	375,018	(7,039,268)	-	(6,300,000)
-	-	5,890,046	-	5,890,046
-	-	29,501	(357,137)	(327,636)
-	-	5,919,547	(357,137)	5,562,410
\$ 4,884,164	\$ 1,163,895	\$ 6,011,725	\$ (732,155)	\$ 20,457,034

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, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,676,560	\$ 8,003,421
Adjustments for:		
Depreciation expenses	408,402	483,121
Amortization expenses	7,659	5,280
Gain on financial assets at fair value through profit or loss, net	(2,998)	(4,052)
Interest expense	997	11,158
Interest income	(27,523)	(139,956)
Share of the profit of subsidiary	(6,170,791)	(6,225,205)
Loss on disposal of property, plant and equipment, net	-	685
Loss (gain) on disposal of investment, net	2,496	(1,945)
Net foreign exchange loss (gain)	(154,773)	197,778
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	549,425	1,407,048
Notes receivable - related parties	1,099	2,562
Trade receivables	7,795	1,393
Trade receivables - related parties	1,580	(357,071)
Other receivables	71,080	(81,761)
Inventories	-	2,509
Prepayments	7,826	(4,216)
Contract liability	(49,032)	-
Notes payable - related parties	-	(1,536)
Trade payables	91,409	21,418
Trade payables - related parties	298,115	32,266
Other payables	53,278	28,325
Other current liabilities	(2,453)	38,454
Provisions	(5,696)	(6,214)
Other non-current liabilities	-	23,080
Net defined benefit liabilities	(29,710)	(35,454)
Cash generated from operations	2,734,745	3,401,088
Interest paid	(997)	(12,352)
Income tax paid	(620,817)	(662,080)
Net cash generated from operating activities	<u>2,112,931</u>	<u>2,726,656</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	5,033,574	4,563,252
Interest received	23,801	155,568
Payments for property, plant and equipment (Note 23)	(622,698)	(505,559)
Proceeds from disposal of property, plant, and equipment	8	3,986
Payments for computer software	(11,929)	(11,460)
Decrease in refundable deposits	2,158	277,532
Increase in other non-current assets	(14,457)	-
Net cash generated from investing activities	<u>4,410,457</u>	<u>4,483,319</u>

(Continued)

**YULON NISSAN MOTOR COMPANY, LTD.**

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	<b>2018</b>	<b>2017</b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	\$ -	\$ (3,630,000)
Payments of dividends	<u>(6,300,000)</u>	<u>(6,600,000)</u>
Cash used in financing activities	<u>(6,300,000)</u>	<u>(10,230,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>155,439</u>	<u>(203,233)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	378,827	(3,223,258)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,045,156</u>	<u>9,268,414</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,423,983</u>	<u>\$ 6,045,156</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, 2018 AND 2017

(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 22, 2019.

#### 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:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.



On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark		
	IAS 39	IFRS 9	IAS 39	IFRS 9			
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 6,045,156	\$ 6,045,156			
Mutual funds	Held for trading	Mandatorily at FVTPL	874,052	874,052			
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost/mandatorily at FVTPL	1,066,346	1,066,346	a), b)		
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasurement	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 874,052						
Add: Reclassification from loans and receivables (IAS 39) Required reclassification	-	\$ 35,165	\$ -				a)
	<u>874,052</u>	<u>35,165</u>	-	\$ 909,217	\$ -	\$ -	
<u>Amortized cost</u>							
Add: From loans and receivables (IAS 39)	-	7,076,337	-				b)
	-	<u>7,076,337</u>	-	<u>7,076,337</u>	-	-	
	<u>\$ 874,052</u>	<u>\$ 7,111,502</u>	<u>\$ -</u>	<u>\$ 7,985,554</u>	<u>\$ -</u>	<u>\$ -</u>	

- a) Trade receivables that were previously classified as loans and receivables under IAS 39 were classified as at FVTPL under IFRS 9 because the objective of the Company's business model is achieved by selling financial assets.
- b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under 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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, a receivable was recognized or deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

If the contract is non-cancellable, the Company will recognize a receivable and a contract liability when it has an unconditional right to consideration in accordance with IFRS 15.

Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in the retained earnings as of January 1, 2018.

Impact on liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	\$ -	\$ 59,052	\$ 59,052
Other current liabilities	66,184	(59,052)	7,132
Contract liabilities - non-current	-	63,020	63,020
Other non-current liabilities	<u>63,020</u>	<u>(63,020)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 129,204</u>	<u>\$ -</u>	<u>\$ 129,204</u>
			<b>December 31, 2018</b>
Increase in contract liabilities - current			\$ 50,553
Increase in contract liabilities - non-current			22,487
Decrease in other current liabilities			(50,553)
Decrease in other non-current liabilities			<u>(22,487)</u>
			<u>\$ -</u>

- b. 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 by the FSC for application starting from 2019

<u>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: 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.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain a lease, only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

- 3) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 4) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 5) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets and liabilities

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Right-of-use assets	\$ -	\$ 754,984	\$ 754,984
Total effect on assets	<u>\$ -</u>	<u>\$ 754,984</u>	<u>\$ 754,984</u>
Lease liabilities - current	\$ -	\$ 55,479	\$ 55,479
Lease liabilities - non-current	<u>-</u>	<u>699,505</u>	<u>699,505</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 754,984</u>	<u>\$ 754,984</u>

Except for the above impact, as of the date the consolidated 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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period

beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 POLICY**

##### **Statement of Compliance**

The 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 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. The 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 the 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 measured at cost less accumulated depreciation and accumulated impairment loss.

The Company 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 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 initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

#### Financial assets

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

#### a. Measurement categories

##### 2018

##### 1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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 changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

1) 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 dividends or interest (including dividends or interest received in the investment year) earned on such financial assets. Refer to Note 26 for the method of determining fair value.

2) 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 using the effective interest method at amortized cost 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.

b. Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and contract assets.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring reflected in the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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 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 at amortized cost, the amount of the impairment loss recognized is the difference between such an 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 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 a 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.

c. 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.

Financial liabilities

a. Subsequent measurement

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

b. 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 for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received, the present obligations arising from 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**

2018

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from sale of goods

Revenue from the sale of goods comes from sales of vehicles and parts. Revenue from the sale of goods is recognized when the goods are delivered and the title has passed.

b. Revenue from rendering of services

Revenue from the rendering of services comes from designing and performing the R&D of cars. Contract assets and revenue are recognized by reference to the stage of completion of the respective contract, and contract assets are reclassified to trade receivables when the remaining obligation is performed. If the milestone payment exceeds the revenue recognized to date, then the Company recognizes a contract liability for the difference.

2017

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 a 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 services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses 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 liabilities are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

## Taxation

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

a. Current tax

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

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 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 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 tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred 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, 2018 and 2017, the carrying amounts of provisions for warranties were \$151,751 thousand and \$151,484 thousand, respectively.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Checking accounts and demand deposits	\$ 469,675	\$ 925,330
Foreign currency demand deposits	343,387	2,173,566
Cash equivalents		
Foreign currency time deposits	5,123,412	2,328,150
Time deposits	106,900	6,900
Repurchase agreements collateralized by bonds	<u>380,609</u>	<u>611,210</u>
	<u>\$ 6,423,983</u>	<u>\$ 6,045,156</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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Demand deposits and time deposits	0.08%-3.20%	0.001%-4.10%
Repurchase agreements collateralized by bonds	3.10%	1.85%-2.00%

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Mutual funds	\$ 325,129	\$ -
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
Mutual funds	-	<u>874,052</u>
	<u>\$ 325,129</u>	<u>\$ 874,052</u>

**8. TRADE RECEIVABLES AND OTHER RECEIVABLES**

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
<u>Trade receivables</u>		
At amortized cost	<u>\$ 31,340</u>	<u>\$ 39,135</u>
<u>Other receivables</u>		
Interest receivables	\$ 6,247	\$ 2,525
Disposal of investment receivables	27,926	98,000
Others	<u>21,929</u>	<u>22,935</u>
	<u>\$ 56,102</u>	<u>\$ 123,460</u>

a. Trade receivables

In 2018

In order to minimize credit risk, the sales department traces payment collection regularly to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The provision for losses based on the past due status of receivables is further distinguished by domestic customers and foreign customers. Nevertheless, the Company did not recognize an expected

losses provision for trade receivables due to the estimation performed by the Company at the end of the reporting period, which shows that there was no significant change in the credit quality of the receivables and the amounts were still considered recoverable.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 24,489	\$ 6,617	\$ 45	\$ 189	\$ 31,340
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 24,489</u>	<u>\$ 6,617</u>	<u>\$ 45</u>	<u>\$ 189</u>	<u>\$ 31,340</u>

In 2017

For some 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:

	<b>December 31, 2017</b>
0-60 days	<u>\$ 39,135</u>

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

	<b>December 31, 2017</b>
1-60 days	<u>\$ 3,088</u>

b. Other receivables

When there is objective evidence that other receivables were impaired, the Company 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 Company did not recognize an allowance for impairment loss.

## 9. INVENTORIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Parts	\$ <u>          -</u>	\$ <u>          -</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 was \$25,931,003 thousand, which included warranty costs of \$145,576 thousand and reversals of losses on inventory purchase commitments of \$5,963 thousand. 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.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Investment in subsidiary</u>		
Yi-Jan Overseas Investment Co., Ltd.	\$ <u>16,244,030</u>	\$ <u>16,023,303</u>

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

	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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, 2018 and 2017 was based on the subsidiaries' financial statements which have been audited 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, 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	<u>(1,050)</u>	<u>          -</u>	<u>(6,701)</u>	<u>(545)</u>	<u>(4,070)</u>	<u>          -</u>	<u>(4,510)</u>	<u>          -</u>	<u>(16,876)</u>
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>

(Continued)



	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvements	Tools	Total
<b>Accumulated depreciation and impairment</b>									
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>
<b>Cost</b>									
Balance at January 1, 2018	\$ 4,824,833	\$ 900,435	\$ 82,583	\$ 177,639	\$ 19,022	\$ 6,662	\$ 4,393	\$ 5,694	\$ 6,021,261
Additions	594,959	106,410	2,559	16,899	590	-	-	968	722,385
Reclassification	(67)	-	-	67	-	-	-	-	-
Disposals	(1,848,485)	(330,764)	(3,478)	(12,852)	-	(2,312)	-	-	(2,197,891)
Balance at December 31, 2018	<u>\$ 3,571,240</u>	<u>\$ 676,081</u>	<u>\$ 81,664</u>	<u>\$ 181,753</u>	<u>\$ 19,612</u>	<u>\$ 4,350</u>	<u>\$ 4,393</u>	<u>\$ 6,662</u>	<u>\$ 4,545,755</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2018	\$ (3,655,330)	\$ (683,481)	\$ (64,142)	\$ (118,239)	\$ (6,869)	\$ (6,201)	\$ (2,123)	\$ (5,651)	\$ (4,542,036)
Depreciation expenses	(321,959)	(57,884)	(6,689)	(18,041)	(2,730)	(169)	(879)	(51)	(408,402)
Disposals	1,848,485	330,764	3,470	12,852	-	2,312	-	-	2,197,883
Balance at December 31, 2018	<u>\$ (2,128,804)</u>	<u>\$ (410,601)</u>	<u>\$ (67,361)</u>	<u>\$ (123,428)</u>	<u>\$ (9,599)</u>	<u>\$ (4,058)</u>	<u>\$ (3,002)</u>	<u>\$ (5,702)</u>	<u>\$ (2,752,555)</u>
Carrying amount, net, December 31, 2018	<u>\$ 1,442,436</u>	<u>\$ 265,480</u>	<u>\$ 14,303</u>	<u>\$ 58,325</u>	<u>\$ 10,013</u>	<u>\$ 292</u>	<u>\$ 1,391</u>	<u>\$ 960</u>	<u>\$ 1,793,200</u>

(Concluded)

There were no signs of impairment losses of assets for the years ended December 31, 2018 and 2017; 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

	<b>Amount</b>
<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>
<u>Cost</u>	
Balance at January 1, 2018	\$ 25,302
Additions	11,929
Disposals	<u>(1,975)</u>
Balance at December 31, 2018	<u>\$ 35,256</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	\$ (4,420)
Amortization expenses	(7,659)
Disposals	<u>1,975</u>
Balance at December 31, 2018	<u>\$ (10,104)</u>
Carrying amount at December 31, 2018	<u>\$ 25,152</u>

There were no signs of impairment losses of assets for the years ended December 31, 2018 and 2017; therefore, the Company did not assess for impairment.

**13. OTHER NON-CURRENT ASSETS**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Refundable deposits (Note 27)	\$ 96,417	\$ 98,575
Prepayments for equipment	45,935	15,973
Others	<u>28,913</u>	<u>-</u>
	<u>\$ 171,265</u>	<u>\$ 114,548</u>

**14. OTHER PAYABLES**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Advertising and promotion fees	\$ 508,237	\$ 452,021
Salaries and bonuses	310,139	344,476
Others	<u>162,730</u>	<u>116,875</u>
	<u>\$ 981,106</u>	<u>\$ 913,372</u>

**15. PROVISIONS**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current		
Inventory purchase commitments	\$ 97,762	\$ 103,725
Warranties	<u>90,387</u>	<u>88,553</u>
	<u>\$ 188,149</u>	<u>\$ 192,278</u>
Non-current		
Warranties	<u>\$ 61,364</u>	<u>\$ 62,931</u>

	<b>Inventory Purchase Commitments</b>	<b>Warranties</b>	<b>Total</b>
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>
Balance at January 1, 2018	\$ 103,725	\$ 151,484	\$ 255,209
Additional provisions recognized (reversed)	(5,963)	147,576	141,613
Paid	<u>-</u>	<u>(147,309)</u>	<u>(147,309)</u>
Balance at December 31, 2018	<u>\$ 97,762</u>	<u>\$ 151,751</u>	<u>\$ 249,513</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.

## 16. OTHER LIABILITIES

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Current		
Receipts in advance (Note 27)	\$ -	\$ 59,052
Withholding	3,087	3,107
Others	<u>1,592</u>	<u>4,025</u>
	<u>\$ 4,679</u>	<u>\$ 66,184</u>
Non-current		
Receipts in advance (Note 27)	<u>\$ -</u>	<u>\$ 63,020</u>

## 17. 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, 2018 and 2017 was \$14,825 thousand and \$14,440 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:

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
Selling and marketing expenses	\$ 4,836	\$ 4,924
General and administrative expenses	4,566	4,385
Research and development expenses	5,271	4,875
Non-operating expenses	<u>152</u>	<u>256</u>
	<u>\$ 14,825</u>	<u>\$ 14,440</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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of funded defined benefit obligation	\$ 545,797	\$ 597,831
Fair value of plan assets	<u>(215,916)</u>	<u>(205,206)</u>
Deficit	<u>\$ 329,881</u>	<u>\$ 392,625</u>
Net defined benefit liabilities	<u>\$ 329,881</u>	<u>\$ 392,625</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
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
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 gain - experience adjustments	<u>(22,312)</u>	<u>-</u>	<u>(22,312)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
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>
Balance at January 1, 2018	<u>\$ 597,831</u>	<u>\$ (205,206)</u>	<u>\$ 392,625</u>
Service cost			
Current service cost	5,362	-	5,362
Net interest expense (income)	<u>6,726</u>	<u>(2,346)</u>	<u>4,380</u>
Recognized in profit or loss	<u>12,088</u>	<u>(2,346)</u>	<u>9,742</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,787)	(5,787)
Actuarial loss - changes in demographic assumptions	7,954	-	7,954
Actuarial loss - changes in financial assumptions	6,471	-	6,471
Actuarial gain - experience adjustments	<u>(41,672)</u>	<u>-</u>	<u>(41,672)</u>
Recognized in other comprehensive income	<u>(27,247)</u>	<u>(5,787)</u>	<u>(33,034)</u>
Contributions from the employer	<u>-</u>	<u>(24,052)</u>	<u>(24,052)</u>
Benefits paid	<u>(21,475)</u>	<u>21,475</u>	<u>-</u>
Liabilities extinguished on settlement	<u>(15,400)</u>	<u>-</u>	<u>(15,400)</u>
Balance at December 31, 2018	<u>\$ 545,797</u>	<u>\$ (215,916)</u>	<u>\$ 329,881</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Selling and marketing expenses	\$ 2,230	\$ 2,522
General and administrative expenses	3,334	3,277
Research and development expenses	3,896	4,046
Non-operating expenses	<u>282</u>	<u>385</u>
	<u>\$ 9,742</u>	<u>\$ 10,230</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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)	1.00%	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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)		
0.25% increase	<u>\$ (13,002)</u>	<u>\$ (14,238)</u>
0.25% decrease	<u>\$ 13,472</u>	<u>\$ 14,762</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 13,048</u>	<u>\$ 14,313</u>
0.25% decrease	<u>\$ (12,661)</u>	<u>\$ (13,879)</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.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 6,834</u>	<u>\$ 6,584</u>
The average duration of the defined benefit obligation	9.8 years	9.8 years

## 18. EQUITY

### a. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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

Under the dividend policy as set forth in the 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, 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 2017 and 2016 had been approved in the stockholders' meetings on June 21, 2018 and June 26, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 664,250	\$ 463,061		
Special reserve	375,018	-		
Cash dividends	6,000,000	6,600,000	\$20	\$22

The Company's shareholders also resolved in the shareholders' meeting on June 21, 2018 to issue cash dividends from legal reserve in the amount of \$300,000 thousand.

## 19. REVENUE

### a. Contract balances

	<b>December 31, 2018</b>
Notes receivable - related parties (Note 27)	<u>\$ 513</u>
Trade receivables (Note 8)	<u>\$ 31,340</u>
Trade receivables - related parties (Note 27)	<u>\$ 724,150</u>
Contract liabilities	
Designing and performing R&D of cars (Note 27)	<u>\$ 50,533</u>
Contract liabilities - current	<u>50,533</u>
Designing and performing R&D of cars (Note 27)	<u>22,487</u>
Contract liabilities - non-current	<u>22,487</u>
	<u>\$ 73,040</u>

The changes in the contract liability balances primarily result from the timing difference between the Company's performance and the customer's payment.

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

	<b>For the Year Ended December 31, 2018</b>
From the beginning contract liability	
Designing and performing R&D of cars	<u>\$ 40,292</u>

b. Disaggregation of revenue

	<b>For the Year Ended December 31, 2018</b>
Vehicles	\$ 27,409,358
Parts	3,701,860
Others	<u>146,512</u>
	<u>\$ 31,257,730</u>

c. Partially completed contracts

The performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as below.

	<b>December 31, 2018</b>
Designing and performing R&D of cars	
- in 2019	\$ 50,553
- in 2020	<u>22,487</u>
	<u>\$ 73,040</u>

The above information does not include contracts with expected duration equal to or less than one year.

**20. NET PROFIT**

a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gains on disposal of property, plant and equipment	\$ -	\$ 104
Losses on disposal of property, plant and equipment	<u>-</u>	<u>(789)</u>
Net loss	<u>\$ -</u>	<u>\$ (685)</u>

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 408,402	\$ 483,121
Computer software	<u>7,659</u>	<u>5,280</u>
	<u>\$ 416,061</u>	<u>\$ 488,401</u>

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
An analysis of depreciation by function		
Operating costs	\$ 379,843	\$ 450,244
Operating expenses	<u>28,559</u>	<u>32,877</u>
	<u>\$ 408,402</u>	<u>\$ 483,121</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 7,659</u>	<u>\$ 5,280</u>

## c. Technical cooperation agreement

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	<u>\$ 518,704</u>	<u>\$ 517,931</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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Post-employment benefits (Note 17)		
Defined contribution plans	\$ 14,825	\$ 14,440
Defined benefit plans	<u>9,742</u>	<u>10,230</u>
	<u>24,567</u>	<u>24,670</u>
Labor and health insurance	39,890	37,940
Salary	560,231	592,325
Remuneration of directors	14,467	15,600
Other employee benefits	<u>51,638</u>	<u>53,527</u>
	<u>666,226</u>	<u>699,392</u>
Total employee benefits expense	<u>\$ 690,793</u>	<u>\$ 724,062</u>
An analysis of employee benefits expense by function		
Operating costs	<u>\$ -</u>	<u>\$ 409</u>
Operating expenses	<u>\$ 690,359</u>	<u>\$ 723,012</u>
Non-operating expenses	<u>\$ 434</u>	<u>\$ 641</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, 2018 and 2017, which have been approved by the Company’s board of directors on March 22, 2019 and March 26, 2018, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Employees' compensation	0.10%	0.10%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 7,684	\$ 8,011

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, 2017 and 2016.

Information on the employees' compensation resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange, net

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Foreign exchange gains	\$ 242,005	\$ 86,289
Foreign exchange losses	<u>(114,524)</u>	<u>(528,009)</u>
Net gain (loss)	<u>\$ 127,481</u>	<u>\$ (441,720)</u>

g. Gain or loss on disposal of investments, net

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Gain on disposal of investments	\$ 13,412	\$ 14,047
Loss on disposal of investments	<u>(15,908)</u>	<u>(12,102)</u>
Net gain (loss)	<u>\$ (2,496)</u>	<u>\$ 1,945</u>

## 21. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 1,384,645	\$ 1,167,101
Adjustments for prior years	604	(1,640)
Deferred tax		
In respect of the current year	153,769	195,460
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>247,496</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,786,514</u>	<u>\$ 1,360,921</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax	<u>\$ 7,676,560</u>	<u>\$ 8,003,421</u>
Income tax expense calculated at the statutory rate	\$ 1,535,312	\$ 1,360,582
Adjustments of expenses in determining taxable income	3,701	2,999
Tax-exempt income	(599)	(1,020)
Adjustments to deferred tax attributable to changes in tax rates and laws	247,496	-
Adjustments for prior years' tax	<u>604</u>	<u>(1,640)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,786,514</u>	<u>\$ 1,360,921</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 3,128	\$ -
In respect of the current year		
Share of other comprehensive income of subsidiary accounted for using equity method	13	17
Remeasurement on defined benefit plans	<u>(6,607)</u>	<u>(2,198)</u>
Recognized in other comprehensive income (loss)	<u>\$ (3,466)</u>	<u>\$ (2,181)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 648,662</u>	<u>\$ 442,943</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, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<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	\$ 1,315,478	\$ 196,337	\$ _____ -	\$ 1,511,815 (Concluded)

For the year ended December 31, 2018

	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	\$ 67,028	\$ 2,774	\$ (3,494)	\$ 66,308
Provisions for warranties	25,753	4,598	-	30,351
Provisions for loss on inventory purchase commitments	17,634	1,919	-	19,553
Unrealized exchange loss, net	16,561	(16,561)	-	-
Share of other comprehensive loss of subsidiaries accounted for using equity method	84	-	28	112
	<u>\$ 127,060</u>	<u>\$ (7,270)</u>	<u>\$ (3,466)</u>	<u>\$ 116,324</u>

Deferred tax liabilities

Temporarily difference				
Shares of profit of subsidiaries	\$ 1,511,815	\$ 382,378	\$ -	\$ 1,894,193
Unrealized exchange gain, net	-	11,617	-	11,617
	<u>\$ 1,511,815</u>	<u>\$ 393,995</u>	<u>\$ _____ -</u>	<u>\$ 1,905,810</u>

## e. Income tax assessments

The Company's tax returns through 2016, except 2015, 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>	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	\$ <u>5,890,046</u>	\$ <u>6,642,500</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
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>24</u>	<u>22</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,024</u>	<u>300,022</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, 2018 and 2017, the Company entered into the following non-cash investing activities:

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 722,385	\$ 261,272
Net changes of prepayment for equipment	29,962	4,309
Net changes of trade payables	<u>(129,649)</u>	<u>239,978</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 622,698</u>	<u>\$ 505,559</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:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
No later than 1 year	\$ 2,311	\$ 1,871
Later than 1 year and not later than 5 years	<u>9,245</u>	<u>-</u>
	<u>\$ 11,556</u>	<u>\$ 1,871</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, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 325,129	\$ -	\$ -	\$ 325,129
Trade receivables - related parties	<u>-</u>	<u>-</u>	<u>31,282</u>	<u>31,282</u>
	<u>\$ 325,129</u>	<u>\$ -</u>	<u>\$ 31,282</u>	<u>\$ 356,411</u>

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

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.

For trade receivables - related parties that are measured at FVTPL and have a 4-day credit period, the fair value is measured according to the original invoice amount and the effect of discounting is immaterial.

c. Categories of financial instruments

	<u>December 31</u>	
	2018	2017
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 874,052
Mandatorily at FVTPL	356,411	-
Loans and receivables (Note 1)	-	7,111,502
Financial assets at amortized cost (Note 2)	7,381,122	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	2,120,989	1,499,745

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 assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, part of trade receivables and other receivables.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise 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 30.

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.

	<u>RMB</u>		<u>U.S. Dollar</u>		<u>Japanese Yen</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Gain (loss)	\$ (256,200)	\$ (193,447)	\$ (35,520)	\$ (58,047)	\$ (1,051)	\$ (4,646)

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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 5,505,560	\$ 2,944,331
Financial liabilities	-	-
Cash flows interest rate risk		
Financial assets	918,423	3,100,825
Financial liabilities	-	-

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, 2018 would increase/decrease by \$2,296 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, 2017 would decrease/increase by \$7,752 thousand, which was mainly attributable to the Company's exposure to interest rates on its demand deposits and time deposits.

2) Credit risk

The Company's concentration of credit risk of 76% and 48% in total trade receivables as of December 31, 2018 and 2017, 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, 2018 and 2017, the available unutilized borrowings facilities were both \$5,700,000 thousand.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been

drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

December 31, 2018

	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 1,829,604</u>	<u>\$ 196,192</u>	<u>\$ 95,193</u>

December 31, 2017

	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 1,382,883</u>	<u>\$ 62,984</u>	<u>\$ 53,878</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

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
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
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.	Substantial related party of Yulon
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Nawa 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.	Substantial related party of Yulon
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
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.
Kuen You Trading Co., Ltd.	Investee of Yu Sing Motor 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>2018</u>	<u>2017</u>
<u>Sales</u>		
Taiwan Acceptance Corporation	\$ 27,315,091	\$ 29,166,734
Investors that have significant influence	13,917	20,736
Other parties	<u>3,352,595</u>	<u>3,418,576</u>
	<u>\$ 30,681,603</u>	<u>\$ 32,606,046</u>
<u>Service revenue</u>		
Autech Japan, Inc.	\$ 38,884	\$ 21,628
Nissan	<u>21,074</u>	<u>10,923</u>
	<u>\$ 59,958</u>	<u>\$ 32,551</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Other operating revenue</u>		
Yulon	\$ 23,383	\$ 31,480
Other parties	<u>50,304</u>	<u>59,618</u>
	<u>\$ 73,687</u>	<u>\$ 91,098</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Operating costs - purchases</u>		
Yulon	\$ 24,542,096	\$ 25,632,031
Investors that have significant influence	20,578	24,148
Other parties	<u>25,575</u>	<u>34,018</u>
	<u>\$ 24,588,249</u>	<u>\$ 25,690,197</u>

Operating costs - TCA

Nissan	\$ 432,691	\$ 463,879
Autech Japan, Inc.	<u>86,013</u>	<u>54,052</u>
	<u>\$ 518,704</u>	<u>\$ 517,931</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Operating expenses - rental</u>		
Yulon	\$ 59,431	\$ 14,892
Ka-Plus Automobile Leasing Co., Ltd.	8,233	9,041
Other parties	<u>4,409</u>	<u>4,767</u>
	<u>\$ 72,073</u>	<u>\$ 28,700</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.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Selling and marketing expenses</u>		
Yu Ming Motor Co., Ltd.	\$ 285,135	\$ 262,845
Yu Chang Motor Co., Ltd.	263,433	350,981
Investors that have significant influence	13,925	15,333
Other parties	<u>1,302,981</u>	<u>1,525,718</u>
	<u>\$ 1,865,474</u>	<u>\$ 2,154,877</u>
<u>General and administrative expenses</u>		
Yulon Management Co., Ltd.	\$ 175,969	\$ 174,773
Investors that have significant influence	15,174	21,336
Other parties	<u>7,099</u>	<u>8,688</u>
	<u>\$ 198,242</u>	<u>\$ 204,797</u>
<u>Research and development expenses</u>		
Yulon	\$ 91,568	\$ 50,430
Investors that have significant influence	27,424	10,263
Other parties	<u>16,656</u>	<u>27,720</u>
	<u>\$ 135,648</u>	<u>\$ 88,413</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:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Investors that have significant influence	\$ -	\$ 2,673
Other parties	<u>68,898</u>	<u>10,767</u>
	<u>\$ 68,898</u>	<u>\$ 13,440</u>

2) Non-operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Other revenues</u>		
Tokio Marine Newa Insurance Co., Ltd.	\$ <u>1,579</u>	\$ <u>1,892</u>
<u>Overseas business expenses</u>		
Yulon Management Co., Ltd.	\$ 4,661	\$ 2,224
Other parties	<u>-</u>	<u>479</u>
	<u>\$ 4,661</u>	<u>\$ 2,703</u>
<u>Other losses</u>		
Investors that have significant influence	\$ <u>-</u>	\$ <u>46</u>

3) Receivables from related parties

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
Yushin Motor Co., Ltd.	\$ 53	\$ 1,235
Yuan Lon Motor Co., Ltd.	<u>460</u>	<u>377</u>
	<u>\$ 513</u>	<u>\$ 1,612</u>
<u>Trade receivables</u>		
Taiwan Acceptance Corporation	\$ 615,806	\$ 412,802
Yulon	88,288	382,335
Investors that have significant influence	10,630	8,528
Subsidiary	6,967	4,414
Other parties	<u>178,775</u>	<u>94,060</u>
	<u>\$ 900,466</u>	<u>\$ 902,139</u>

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

Trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

As of December 31, 2018, the balance of trade receivables from related parties includes \$31,282 thousand, which is sold to Taiwan Acceptance Corporation without recourse. It is measured at FVTPL. Refer to Note 26.

## 4) Payables to related parties

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Trade payables</u>		
Yulon	\$ 811,332	\$ 419,184
Nissan	120,917	84,896
Other parties	<u>370,979</u>	<u>371,384</u>
	<u>\$ 1,303,228</u>	<u>\$ 875,464</u>

Trade payables to related parties are unsecured.

## 5) Refundable deposits

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Yulon	\$ 94,617	\$ 96,770
Other parties	<u>800</u>	<u>800</u>
	<u>\$ 95,417</u>	<u>\$ 97,570</u>

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

## 6) Prepayments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Yulon	<u>\$ 9,732</u>	<u>\$ 10,866</u>

Prepayments to Yulon are for office rental.

## 7) Contract liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Autech Japan, Inc.	<u>\$ 73,040</u>	<u>\$ -</u>

The Company designs and develops car models for Autech Japan, Inc. and, according to the related contracts, receives payments before satisfying performance obligations. Those contract liabilities are recognized as current and non-current liabilities according to the timing of revenue recognition.

8) Receipts in advance

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Autech Japan, Inc.	\$ <u>          -</u>	\$ <u>  113,331</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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits	\$ 38,670	\$ 44,525
Post-employment benefits	<u>          2,485</u>	<u>          2,205</u>
	<u>\$ 41,155</u>	<u>\$ 46,730</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 \$1,953,041 thousand and \$2,032,306 thousand for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company had received \$1,921,759 thousand and \$1,997,141 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, 2018 and 2017 were 2.32%-2.33%; and the interest expenses recognized were \$997 thousand and \$1,019 thousand, respectively.

As of December 31, 2018, the abovementioned unreceived amount of receivables sold is \$31,282 thousand. The Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale will result in derecognizing these trade receivables because the Company will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL under IFRS 9, because the objective of the Company's business model is achieved by selling financial assets.

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. The total newly-signed contract amount in December 2018 was \$27,744 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2018, the Company had already paid \$1,283,630 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). The total newly-signed contract amount in August and October 2018 was \$142,071 thousand (excluding of tax). As of December 31, 2018, 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). The total newly-signed contract amount in August and October 2018 was \$140,440 thousand (excluding of tax). As of December 31, 2018, 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). The total newly-signed contract amount in August 2018 was \$41,616 thousand (excluding of tax). As of December 31, 2018, 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, 2018 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, 2018, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Acquisition of property, plant, and equipment	<u>\$ 41,891</u>	<u>\$ 180,059</u>

## 29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Board of Directors of the Company approved to dispose of the shareholdings in the indirect investment in Aeolus Automobile Co., Ltd., Dongfeng Yulon Used Cars Co., Ltd., and Shenzhen Lan You Technology Co., Ltd. and also approved to increase the shareholding in the indirect investment in Guangzhou Aeolus Automobile Co., Ltd. on January 28, 2019.

### 30. 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, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,145,797	4.4720 (RMB:NTD)	\$ 5,124,004
USD	23,129	30.715 (USD:NTD)	710,407
JPY	75,652	0.2782 (JPY:NTD)	<u>21,046</u>
			<u>\$ 5,855,457</u>
Non-monetary items			
USD	528,863	30.715 (USD:NTD)	<u>\$ 16,244,030</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	101	0.2782 (JPY:NTD)	<u>\$ 28</u>

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

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

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
RMB	4.5600 (RMB:NTD)	\$ 83,355	4.5070 (RMB:NTD)	\$ (270,850)
USD	30.149 (USD:NTD)	42,356	30.432 (USD:NTD)	(175,577)
JPY	0.2730 (JPY:NTD)	<u>1,770</u>	0.2713 (JPY:NTD)	<u>4,707</u>
		<u>\$ 127,481</u>		<u>\$ (441,720)</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)

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, 2018  
(In Thousands of New Taiwan Dollars)**

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2018				Note
				Stocks (Thousands)	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates							
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss	6,165	\$ 100,073	-	\$ 100,073	
	PineBridge Emerging Market Asia-Pacific Strategic Bond	-	Financial assets at fair value through profit or loss	2,713	30,292	-	30,292	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	1,844	30,019	-	30,019	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	1,862	30,000	-	30,000	
	The RSIT Enhanced Money Market Fund	-	Financial assets at fair value through profit or loss	2,093	25,014	-	25,014	
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss	1,799	25,014	-	25,014	
	KGI Victory Money Market Fund	-	Financial assets at fair value through profit or loss	1,730	20,000	-	20,000	
	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss	1,348	19,435	-	19,435	
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	1,448	18,112	-	18,112	
	Nomura Global Equity Fund TWD	-	Financial assets at fair value through profit or loss	800	12,504	-	12,504	
	Cathay Senior Secured High Yield Bond Fund	-	Financial assets at fair value through profit or loss	1,000	10,081	-	10,081	
Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss	290	4,585	-	4,585		

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, 2018.

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, 2018  
(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> Yuanta De-Bao Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	41,824	\$ 500,000	41,824	\$ 501,251	\$ 500,000	\$ 1,251	-	\$ -
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	29,693	400,000	29,693	400,491	400,000	491	-	-
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	40,075	500,000	40,075	501,138	500,000	1,138	-	-
	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	19,362	304,585	19,072	300,803	300,000	803	290	4,585
	PineBridge Taiwan Money Market Securities Investment Trust Fund	Financial assets at fair value through profit or loss	-	-	14,685	200,000	7,327	100,000	22,012	300,602	300,000	602	-	-
	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	32,864	500,000	32,864	501,344	500,000	1,344	-	-
	Fuh Hwa Money Market	Financial assets at fair value through profit or loss	-	-	-	-	36,146	519,435	34,798	501,110	500,000	1,110	1,348	19,435
	Shin Kong Chi-Shin Money-Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	45,411	700,000	45,411	701,475	700,000	1,475	-	-

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, 2018 (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	\$ 24,542,096	99	4 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (811,332)	(56)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	27,315,091	88	Same as above	-	-	615,806	66	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	452,812	1	14 days after sales for parts Immediate payment for vehicles	-	-	24,406	3	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	427,531	1	14 days after sales for parts	-	-	23,571	3	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	383,091	1	Same as above	-	-	12,354	1	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	354,015	1	14 days after sales for parts Immediate payment for vehicles	-	-	17,986	2	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	333,097	1	14 days after sales for parts	-	-	16,193	2	-
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	312,634	1	14 days after sales for parts Immediate payment for vehicles	-	-	11,245	1	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	299,663	1	14 days after sales for parts	-	-	10,087	1	-
	Yushin Motor Co., Ltd.	Substantial related party of Yulon	Sale	270,472	1	14 days after sales for parts Immediate payment for vehicles	-	-	10,952	1	-
Ding Long Motor Co., Ltd.	Substantial related party of Chen Long	Sale	102,926	-	Same as above	-	-	5,209	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, 2018  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables \$ 615,806	53.11	\$ -	-	\$ 615,806	\$ -

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

**TABLE 5**

**YULON NISSAN MOTOR COMPANY, LTD.**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(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, 2018			Net Income of the Investee	Share of Profit	Note
				December 31, 2018	December 31, 2017	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	\$ 16,244,030	\$ 6,170,791	\$ 6,170,791	Note
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100	US\$ 528,672	US\$ 204,680	US\$ 204,680	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, 2018  
(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, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,778,453 (US\$ 125,326)	\$ 625,334 (US\$ 20,741)	\$ 2,016,228 (US\$ 65,643)	\$ 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	46,648 (US\$ 1,547)	15,450 (US\$ 512)	732,038 (US\$ 23,833)	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	13,791,934 (US\$ 457,459)	5,516,773 (US\$ 182,984)	12,088,780 (US\$ 393,579)	29,600,606 (US\$ 950,492)
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	187,601 (US\$ 6,222)	84,421 (US\$ 2,800)	790,455 (US\$ 25,735)	-
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	17,183 (US\$ 570)	8,420 (US\$ 279)	2,225 (US\$ 72)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	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)	\$12,274,220

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.

## 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 2018 was \$379,843 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, 2018, the carrying amount of the provisions for warranties was \$151,751 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 16 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.

#### **Other Matter**

We have also audited the parent company only financial statements of Yulon Nissan Motor Company, Ltd., as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

#### **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 the audit committee, 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, 2018 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 partners on the audit resulting in this independent auditors' report are Wan-I Liao and Cheng-Chuan Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2019

#### 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, 2018 AND 2017

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 7,043,180	27	\$ 6,822,021	26
Financial assets at fair value through profit or loss (Notes 4 and 7)	325,129	1	874,052	3
Notes receivable - related parties (Notes 4, 20 and 28)	513	-	1,612	-
Trade receivables (Notes 4, 8 and 20)	31,340	-	39,135	-
Trade receivables - related parties (Notes 4, 20 and 28)	894,105	4	897,956	4
Other receivables (Notes 4 and 8)	57,570	-	125,753	1
Prepayments (Note 28)	<u>12,243</u>	<u>-</u>	<u>23,184</u>	<u>-</u>
Total current assets	<u>8,364,080</u>	<u>32</u>	<u>8,783,713</u>	<u>34</u>
 <b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method (Notes 4 and 11)	15,629,726	60	15,251,359	59
Property, plant and equipment (Notes 4, 5, 12 and 28)	1,793,200	7	1,479,225	6
Computer software (Notes 4 and 13)	25,152	-	20,882	-
Deferred tax assets (Notes 4 and 22)	116,324	-	127,060	1
Other non-current assets (Notes 14 and 28)	<u>171,265</u>	<u>1</u>	<u>114,548</u>	<u>-</u>
Total non-current assets	<u>17,735,667</u>	<u>68</u>	<u>16,993,074</u>	<u>66</u>
 <b>TOTAL</b>				
	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,776,787</u>	<u>100</u>

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

LIABILITIES AND EQUITY	2018		2017	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 20 and 28)	\$ 50,553	-	\$ -	-
Trade payables	146,794	1	55,385	-
Trade payables - related parties (Note 28)	1,303,228	5	875,464	3
Other payables (Note 15)	981,106	4	913,372	4
Current tax liabilities (Notes 4 and 22)	648,662	2	442,943	2
Provisions (Notes 4, 5 and 16)	188,149	1	192,278	1
Other current liabilities (Notes 17 and 28)	<u>4,679</u>	<u>-</u>	<u>66,184</u>	<u>-</u>
Total current liabilities	<u>3,323,171</u>	<u>13</u>	<u>2,545,626</u>	<u>10</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 20 and 28)	22,487	-	-	-
Provisions (Notes 4, 5 and 16)	61,364	-	62,931	-
Credit balance of investments accounted for using equity method (Notes 4 and 11)	-	-	6,146	-
Net defined benefit liabilities (Notes 4 and 18)	329,881	1	392,625	2
Deferred tax liabilities (Notes 4 and 22)	1,905,810	8	1,511,815	6
Other non-current liabilities (Notes 17 and 28)	<u>-</u>	<u>-</u>	<u>63,020</u>	<u>-</u>
Total non-current liabilities	<u>2,319,542</u>	<u>9</u>	<u>2,036,537</u>	<u>8</u>
Total liabilities	<u>5,642,713</u>	<u>22</u>	<u>4,582,163</u>	<u>18</u>
<b>EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY</b>				
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>12</u>
Capital surplus	<u>6,129,405</u>	<u>23</u>	<u>6,129,405</u>	<u>24</u>
Retained earnings				
Legal reserve	4,884,164	19	4,519,914	17
Special reserve	1,163,895	4	788,877	3
Unappropriated earnings	<u>6,011,725</u>	<u>23</u>	<u>7,131,446</u>	<u>28</u>
Total retained earnings	<u>12,059,784</u>	<u>46</u>	<u>12,440,237</u>	<u>48</u>
Other equity	<u>(732,155)</u>	<u>(3)</u>	<u>(375,018)</u>	<u>(2)</u>
Total equity	<u>20,457,034</u>	<u>78</u>	<u>21,194,624</u>	<u>82</u>
TOTAL	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,776,787</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, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 28)				
Sales (Note 4)	\$ 31,111,218	100	\$ 33,092,856	100
Service revenue (Note 4)	59,958	-	32,551	-
Other operating revenue	<u>86,554</u>	<u>-</u>	<u>96,367</u>	<u>-</u>
Total operating revenue	31,257,730	100	33,221,774	100
OPERATING COSTS (Notes 9, 21 and 28)	<u>25,931,003</u>	<u>83</u>	<u>27,037,319</u>	<u>82</u>
GROSS PROFIT	<u>5,326,727</u>	<u>17</u>	<u>6,184,455</u>	<u>18</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	2,886,302	9	3,092,559	9
General and administrative expenses	396,226	2	343,218	1
Research and development expenses	<u>707,445</u>	<u>2</u>	<u>672,305</u>	<u>2</u>
Total operating expenses	<u>3,989,973</u>	<u>13</u>	<u>4,108,082</u>	<u>12</u>
OTHER OPERATING INCOME AND EXPENSES (Note 21)	<u>-</u>	<u>-</u>	<u>(685)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,336,754</u>	<u>4</u>	<u>2,075,688</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	6,250,398	20	6,071,238	18
Interest income (Note 4)	82,859	1	197,870	1
Gain on financial assets at fair value through profit or loss, net	2,998	-	4,052	-
Other revenue (Note 28)	4,434	-	2,000	-
Gain (loss) on disposal of investments, net (Note 21)	(2,496)	-	1,945	-
Net foreign exchange gain (loss) (Note 21)	16,058	-	(325,205)	(1)
Interest expenses (Note 28)	(997)	-	(11,158)	-
Overseas business expenses (Note 28)	(10,156)	-	(10,915)	-
Other losses (Note 28)	<u>(3,292)</u>	<u>-</u>	<u>(2,094)</u>	<u>-</u>
Total non-operating income and expenses	<u>6,339,806</u>	<u>21</u>	<u>5,927,733</u>	<u>18</u>
PROFIT BEFORE INCOME TAX	7,676,560	25	8,003,421	24
INCOME TAX EXPENSES (Notes 4 and 22)	<u>1,786,514</u>	<u>6</u>	<u>1,360,921</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>5,890,046</u>	<u>19</u>	<u>6,642,500</u>	<u>20</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 33,034	-	\$ 12,930	-
Share of other comprehensive loss of associates accounted for using equity method (Note 11)	(67)	-	(98)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>(3,466)</u>	<u>-</u>	<u>(2,181)</u>	<u>-</u>
	<u>29,501</u>	<u>-</u>	<u>10,651</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(357,137)</u>	<u>(1)</u>	<u>(412,870)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(327,636)</u>	<u>(1)</u>	<u>(402,219)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,562,410</u>	<u>18</u>	<u>\$ 6,240,281</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 5,890,046</u>	<u>19</u>	<u>\$ 6,642,500</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 5,562,410</u>	<u>18</u>	<u>\$ 6,240,281</u>	<u>19</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$19.63</u>		<u>\$22.14</u>	
Diluted	<u>\$19.63</u>		<u>\$22.14</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, 2018 AND 2017

	<b>Capital Stock</b>	<b>Capital Surplus (Note 19)</b>
BALANCE AT JANUARY 1, 2017	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>
Appropriation of 2016 earnings		
Legal reserve	-	-
Special 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>
Appropriation of 2017 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2018	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-
	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year ended December 31, 2018	-	-
	<u>-</u>	<u>-</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>



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

Retained Earnings (Notes 19 and 22)			Other Equity	Total Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	
\$ 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
664,250	-	(664,250)	-	-
-	375,018	(375,018)	-	-
(300,000)	-	(6,000,000)	-	(6,300,000)
364,250	375,018	(7,039,268)	-	(6,300,000)
-	-	5,890,046	-	5,890,046
-	-	29,501	(357,137)	(327,636)
-	-	5,919,547	(357,137)	5,562,410
\$ 4,884,164	\$ 1,163,895	\$ 6,011,725	\$ (732,155)	\$ 20,457,034

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, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,676,560	\$ 8,003,421
Adjustments for:		
Depreciation expenses	408,402	483,121
Amortization expenses	7,659	5,280
Gain on financial assets at fair value through profit or loss, net	(2,998)	(4,052)
Interest expense	997	11,158
Interest income	(82,859)	(197,870)
Share of profit of associates	(6,250,398)	(6,071,238)
Loss on disposal of property, plant and equipment, net	-	685
Loss (gain) on disposal of investment, net	2,496	(1,945)
Net foreign exchange loss (gain)	(93,130)	46,992
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	549,425	1,407,048
Notes receivable - related parties	1,099	2,562
Trade receivables	7,795	1,393
Trade receivables - related parties	3,758	(359,577)
Other receivables	71,080	(81,761)
Inventories	-	2,509
Prepayments	7,826	(4,216)
Contract liability	(49,032)	-
Notes payable - related parties	-	(1,536)
Trade payables	91,409	21,418
Trade payables - related parties	298,115	32,266
Other payables	53,278	28,325
Other current liabilities	(2,453)	38,454
Provisions	(5,696)	(6,214)
Other non-current liabilities	-	23,080
Net defined benefit liabilities	(29,710)	(35,454)
Cash generated from operations	2,663,623	3,343,849
Interest paid	(997)	(12,352)
Income tax paid	(1,176,415)	(1,174,805)
Net cash generated from operating activities	<u>1,486,211</u>	<u>2,156,692</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	5,466,869	5,168,975
Interest received	79,962	211,500
Payments for property, plant and equipment (Note 24)	(622,698)	(505,559)
Proceeds from disposal of property, plant and equipment	8	3,986
Decrease in refundable deposits	2,158	277,532
Payments for computer software	(11,929)	(11,460)
Increase in other non-current assets	(14,457)	-
Net cash generated from investing activities	<u>4,899,913</u>	<u>5,144,974</u>

(Continued)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	\$ -	\$ (3,630,000)
Payments of dividends	<u>(6,300,000)</u>	<u>(6,600,000)</u>
Cash used in financing activities	<u>(6,300,000)</u>	<u>(10,230,000)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>135,035</u>	<u>(159,399)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	221,159	(3,087,733)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>6,822,021</u>	<u>9,909,754</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 7,043,180</u>	<u>\$ 6,822,021</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, 2018 AND 2017

(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 22, 2019.

#### **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:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark		
	IAS 39	IFRS 9	IAS 39	IFRS 9			
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 6,822,021	\$ 6,822,021			
Mutual funds	Held for trading	Mandatorily at FVTPL	874,052	874,052			
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost/mandatorily at FVTPL	1,064,456	1,064,456	a), b)		
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasurement	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 874,052						
Add: Reclassification from loans and receivables (IAS 39) Required reclassification	-	\$ 35,165	\$ -				a)
	<u>874,052</u>	<u>35,165</u>	<u>-</u>	\$ 909,217	\$ -	\$ -	
<u>Amortized cost</u>							
Add: From loans and receivables (IAS 39)	-	7,851,312	-				b)
	<u>-</u>	<u>7,851,312</u>	<u>-</u>	<u>7,851,312</u>	<u>-</u>	<u>-</u>	
	<u>\$ 874,052</u>	<u>\$ 7,886,477</u>	<u>\$ -</u>	<u>\$ 8,760,529</u>	<u>\$ -</u>	<u>\$ -</u>	

- a) Trade receivables that were previously classified as loans and receivables under IAS 39 were classified as at FVTPL under IFRS 9 because the objective of the Group's business model is achieved by selling financial assets.
- b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under 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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, a receivable was recognized or deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

If the contract is non-cancellable, the Group will recognize a receivable and a contract liability when it has an unconditional right to consideration in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue

when received.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in the retained earnings as of January 1, 2018.

Impact on liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	\$ -	\$ 59,052	\$ 59,052
Other current liabilities	66,184	(59,052)	7,132
Contract liabilities - non-current	-	63,020	63,020
Other non-current liabilities	<u>63,020</u>	<u>(63,020)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 129,204</u>	<u>\$ -</u>	<u>\$ 129,204</u>
			<b>December 31, 2018</b>
Increase in contract liabilities - current			\$ 50,553
Increase in contract liabilities - non-current			22,487
Decrease in other current liabilities			(50,553)
Decrease in other non-current liabilities			<u>(22,487)</u>
			<u>\$ -</u>

- b. 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 by the FSC for application starting from 2019

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: 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.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain a lease, only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

- 2) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.
- 3) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 4) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 5) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets and liabilities

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Right-of-use assets	\$ -	\$ 754,984	\$ 754,984
Total effect on assets	<u>\$ -</u>	<u>\$ 754,984</u>	<u>\$ 754,984</u>
Lease liabilities - current	\$ -	\$ 55,479	\$ 55,479
Lease liabilities - non-current	<u>-</u>	<u>699,505</u>	<u>699,505</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 754,984</u>	<u>\$ 754,984</u>

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 detailed information on subsidiaries (including percentages of ownership and main businesses).

### **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 (i.e. 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 foreign associates accounted for using the 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. Any arising exchange differences 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. The 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 the 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 measured at cost less accumulated depreciation and 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 initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

#### Financial assets

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

a. Measurement categories

2018

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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 changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

## 1) 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 dividends or interest (including dividends or interest received in the investment year) earned on such financial assets. Refer to Note 27 for the method of determining fair value.

## 2) 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 using the effective interest method at amortized cost 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.

## b. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring reflected in the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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 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 at amortized cost, the amount of the impairment loss recognized is the difference between such an 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 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 a 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.

c. 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.

Financial liabilities

a. Subsequent measurement

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

b. 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 for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received, the present obligations arising from 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**

#### 2018

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from sale of goods

Revenue from the sale of goods comes from sales of vehicles and parts. Revenue from the sale of goods is recognized when the goods are delivered and the title has passed.

b. Revenue from rendering of services

Revenue from the rendering of services comes from designing and performing the R&D of cars. Contract assets and revenue are recognized by reference to the stage of completion of the respective contract, and contract assets are reclassified to trade receivables when the remaining obligation is performed. If the milestone payment exceeds the revenue recognized to date, then the Group recognizes a contract liability for the difference.

#### 2017

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 a 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 services.

### b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses 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 liabilities are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

## Taxation

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

### a. Current tax

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

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 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 tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred 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, 2018 and 2017, the carrying amounts of provisions for warranties were \$151,751 thousand and \$151,484 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Checking accounts and demand deposits	\$ 526,977	\$ 1,001,974
Foreign currency demand deposits	344,320	2,174,847
Cash equivalents		
Foreign currency time deposits	5,684,374	3,027,090
Time deposits	106,900	6,900
Repurchase agreements collateralized by bonds	<u>380,609</u>	<u>611,210</u>
	<u>\$ 7,043,180</u>	<u>\$ 6,822,021</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>	
	<b>2018</b>	<b>2017</b>
Demand deposits and time deposits	0.08%-3.75%	0.001%-4.10%
Repurchase agreements collateralized by bonds	3.10%	1.85%-2.00%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Mutual funds	\$ 325,129	\$ -
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
Mutual funds	<u>-</u>	<u>874,052</u>
	<u>\$ 325,129</u>	<u>\$ 874,052</u>

## 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Trade receivables		
At amortized cost	<u>\$ 31,340</u>	<u>\$ 39,135</u>
Other receivables		
Interest receivables	\$ 7,715	\$ 4,818
Disposal of mutual fund receivables	27,926	98,000
Others	<u>21,929</u>	<u>22,935</u>
	<u>\$ 57,570</u>	<u>\$ 125,753</u>

## a. Trade receivables

In 2018

In order to minimize credit risk, the sales department traces payment collection regularly to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The provision for losses based on the past due status of receivables is further distinguished by domestic customers and foreign customers. Nevertheless, the Group did not recognize an expected losses provision for trade receivables due to the estimation performed by the Group at the end of the reporting period, which shows that there was no significant change in the credit quality of the receivables and the amounts were still considered recoverable.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 24,489	\$ 6,617	\$ 45	\$ 189	\$ 31,340
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 24,489</u>	<u>\$ 6,617</u>	<u>\$ 45</u>	<u>\$ 189</u>	<u>\$ 31,340</u>

In 2017

For some 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:

	<b>December 31, 2017</b>
0-60 days	<u>\$ 39,135</u>

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

	<b>December 31, 2017</b>
1-60 days	<u>\$ 3,088</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**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Parts	<u>\$ -</u>	<u>\$ -</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 was \$25,931,003 thousand, which included warranty costs of \$147,576 thousand and reversals of losses on inventory purchase commitments of \$5,963 thousand. 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.

## 10. SUBSIDIARIES

## Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership	
			2018	2017
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	
	2018	2017
<u>Material associate</u>		
Guangzhou Aeolus Automobile Co., Ltd.	\$ 12,088,780	\$ 12,375,179
<u>Associates that are not individually material</u>		
Aeolus Xiangyang Automobile Co., Ltd.	2,016,228	1,426,870
Shenzhen Lan You Technology Co., Ltd.	790,455	719,927
Aeolus Automobile Co., Ltd.	732,038	729,383
Dong Feng Yulon Used Cars Co., Ltd.	2,225	(6,146)
	3,540,946	2,870,034
Add: Credit balance of investments accounted for using equity method	-	6,146
	3,540,946	2,876,180
	\$ 15,629,726	\$ 15,251,359

## a. Material associate

Company Name	Main Business	Location	Proportion of Ownership and Voting Rights	
			2018	2017
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 IFRS.

Guangzhou Aeolus Automobile Co., Ltd.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current assets	\$ 8,936,868	\$ 9,860,622
Non-current assets	33,304,304	34,726,040
Current liabilities	(8,195,550)	(9,729,550)
Non-current liabilities	<u>(3,823,671)</u>	<u>(3,919,165)</u>
Equity	<u>\$ 30,221,951</u>	<u>\$ 30,937,947</u>
Equity attributable to the Group	<u>\$ 12,088,780</u>	<u>\$ 12,375,179</u>
Carrying amount	<u>\$ 12,088,780</u>	<u>\$ 12,375,179</u>
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue	<u>\$ 33,421,440</u>	<u>\$ 33,245,993</u>
Net profit for the year	<u>\$ 13,791,934</u>	<u>\$ 13,798,035</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ 5,466,869</u>	<u>\$ 4,262,688</u>

b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
The Group's share of:		
Net profit for the year	\$ 733,625	\$ 552,024
Other comprehensive loss	<u>(67)</u>	<u>(98)</u>
Total comprehensive income for the year	<u>\$ 733,558</u>	<u>\$ 551,926</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, 2018 and 2017 were based on the associates' financial statements which have been audited for the same years.

**12. PROPERTY, PLANT AND EQUIPMENT**

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvements	Tools	Total
<b>Cost</b>									
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	<u>(1,050)</u>	<u>-</u>	<u>(6,701)</u>	<u>(545)</u>	<u>(4,070)</u>	<u>-</u>	<u>(4,510)</u>	<u>-</u>	<u>(16,876)</u>
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>

(Continued)

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvements	Tools	Total
<b>Accumulated depreciation and impairment</b>									
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>
<b>Cost</b>									
Balance at January 1, 2018	\$ 4,824,833	\$ 900,435	\$ 82,583	\$ 177,639	\$ 19,022	\$ 6,662	\$ 4,393	\$ 5,694	\$ 6,021,261
Additions	594,959	106,410	2,559	16,899	590	-	-	968	722,385
Reclassification	(67)	-	-	67	-	-	-	-	-
Disposals	(1,848,485)	(330,764)	(3,478)	(12,852)	-	(2,312)	-	-	(2,197,891)
Balance at December 31, 2018	<u>\$ 3,571,240</u>	<u>\$ 676,081</u>	<u>\$ 81,664</u>	<u>\$ 181,753</u>	<u>\$ 19,612</u>	<u>\$ 4,350</u>	<u>\$ 4,393</u>	<u>\$ 6,662</u>	<u>\$ 4,545,755</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2018	\$ (3,655,330)	\$ (683,481)	\$ (64,142)	\$ (118,239)	\$ (6,869)	\$ (6,201)	\$ (2,123)	\$ (5,651)	\$ (4,542,036)
Depreciation expenses	(321,959)	(57,884)	(6,689)	(18,041)	(2,730)	(169)	(879)	(51)	(408,402)
Disposals	1,848,485	330,764	3,470	12,852	-	2,312	-	-	2,197,883
Balance at December 31, 2018	<u>\$ (2,128,804)</u>	<u>\$ (410,601)</u>	<u>\$ (67,361)</u>	<u>\$ (123,428)</u>	<u>\$ (9,599)</u>	<u>\$ (4,058)</u>	<u>\$ (3,002)</u>	<u>\$ (5,702)</u>	<u>\$ (2,752,555)</u>
Carrying amount, net, December 31, 2018	<u>\$ 1,442,436</u>	<u>\$ 265,480</u>	<u>\$ 14,303</u>	<u>\$ 58,325</u>	<u>\$ 10,013</u>	<u>\$ 292</u>	<u>\$ 1,391</u>	<u>\$ 960</u>	<u>\$ 1,793,200</u>

(Concluded)

There were no signs of impairment losses of assets for the years ended December 31, 2018 and 2017; 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

	<b>Amount</b>
<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>
<u>Cost</u>	
Balance at January 1, 2018	\$ 25,302
Additions	11,929
Disposals	<u>(1,975)</u>
Balance at December 31, 2018	<u>\$ 35,256</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	\$ (4,420)
Amortization expenses	(7,659)
Disposals	<u>1,975</u>
Balance at December 31, 2018	<u>\$ (10,104)</u>
Carrying amount at December 31, 2018	<u>\$ 25,152</u>

There were no signs of impairment losses of assets for the years ended December 31, 2018 and 2017; therefore, the Group did not assess for impairment.



**14. OTHER NON-CURRENT ASSETS**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Refundable deposits (Note 28)	\$ 96,417	\$ 98,575
Prepayments for equipment	45,935	15,973
Others	<u>28,913</u>	<u>-</u>
	<u>\$ 171,265</u>	<u>\$ 114,548</u>

**15. OTHER PAYABLES**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Advertising and promotion fees	\$ 508,237	\$ 452,021
Salaries and bonuses	310,139	344,476
Others	<u>162,730</u>	<u>116,875</u>
	<u>\$ 981,106</u>	<u>\$ 913,372</u>

**16. PROVISIONS**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current		
Inventory purchase commitments	\$ 97,762	\$ 103,725
Warranties	<u>90,387</u>	<u>88,553</u>
	<u>\$ 188,149</u>	<u>\$ 192,278</u>
Non-current		
Warranties	<u>\$ 61,364</u>	<u>\$ 62,931</u>

	<b>Inventory Purchase Commitments</b>	<b>Warranties</b>	<b>Total</b>
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>
Balance at January 1, 2018	\$ 103,725	\$ 151,484	\$ 255,209
Additional provisions recognized (reversed)	(5,963)	147,576	141,613
Paid	<u>-</u>	<u>(147,309)</u>	<u>(147,309)</u>
Balance at December 31, 2018	<u>\$ 97,762</u>	<u>\$ 151,751</u>	<u>\$ 249,513</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.

## 17. OTHER LIABILITIES

	<u>December 31</u>	
	2018	2017
Current		
Receipts in advance (Note 28)	\$ -	\$ 59,052
Withholding	3,087	3,107
Others	<u>1,592</u>	<u>4,025</u>
	<u>\$ 4,679</u>	<u>\$ 66,184</u>
Non-current		
Receipts in advance (Note 28)	<u>\$ -</u>	<u>\$ 63,020</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, 2018 and 2017 was \$14,825 thousand and \$14,440 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:

	<u>For the Year Ended December 31</u>	
	2018	2017
Selling and marketing expenses	\$ 4,836	\$ 4,924
General and administrative expenses	4,566	4,385
Research and development expenses	5,271	4,875
Non-operating expenses	<u>152</u>	<u>256</u>
	<u>\$ 14,825</u>	<u>\$ 14,440</u>

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. as of December 31, 2018; 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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of funded defined benefit obligation	\$ 545,797	\$ 597,831
Fair value of plan assets	<u>(215,916)</u>	<u>(205,206)</u>
Deficit	<u>\$ 329,881</u>	<u>\$ 392,625</u>
Net defined benefit liabilities	<u>\$ 329,881</u>	<u>\$ 392,625</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
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
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 gain - experience adjustments	<u>(22,312)</u>	<u>-</u>	<u>(22,312)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
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>
 Balance at January 1, 2018	 <u>\$ 597,831</u>	 <u>\$ (205,206)</u>	 <u>\$ 392,625</u>
Service cost			
Current service cost	5,362	-	5,362
Net interest expense (income)	<u>6,726</u>	<u>(2,346)</u>	<u>4,380</u>
Recognized in profit or loss	<u>12,088</u>	<u>(2,346)</u>	<u>9,742</u>
 Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,787)	(5,787)
Actuarial loss - changes in demographic assumptions	7,954	-	7,954
Actuarial loss - changes in financial assumptions	6,471	-	6,471
Actuarial gain - experience adjustments	<u>(41,672)</u>	<u>-</u>	<u>(41,672)</u>
Recognized in other comprehensive income	<u>(27,247)</u>	<u>(5,787)</u>	<u>(33,034)</u>
Contributions from the employer	<u>-</u>	<u>(24,052)</u>	<u>(24,052)</u>
Benefits paid	<u>(21,475)</u>	<u>21,475</u>	<u>-</u>
Liabilities extinguished on settlement	<u>(15,400)</u>	<u>-</u>	<u>(15,400)</u>
 Balance at December 31, 2018	 <u>\$ 545,797</u>	 <u>\$ (215,916)</u>	 <u>\$ 329,881</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Selling and marketing expenses	\$ 2,230	\$ 2,522
General and administrative expenses	3,334	3,277
Research and development expenses	3,896	4,046
Non-operating expenses	<u>282</u>	<u>385</u>
	<u>\$ 9,742</u>	<u>\$ 10,230</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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)	1.00%	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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)		
0.25% increase	<u>\$ (13,002)</u>	<u>\$ (14,238)</u>
0.25% decrease	<u>\$ 13,472</u>	<u>\$ 14,762</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 13,048</u>	<u>\$ 14,313</u>
0.25% decrease	<u>\$ (12,661)</u>	<u>\$ (13,879)</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.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 6,834</u>	<u>\$ 6,584</u>
The average duration of the defined benefit obligation	9.8 years	9.8 years

## 19. EQUITY

### a. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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

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 2017 and 2016 had been approved in the stockholders' meetings on June 21, 2018 and June 26, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 664,250	\$ 463,061		
Special reserve	375,018	-		
Cash dividends	6,000,000	6,600,000	\$20	\$22

The Company's shareholders also resolved in the shareholders' meeting on June 21, 2018 to issue cash dividends from legal reserve in the amount of \$300,000 thousand.

## 20. REVENUE

### a. Contract balances

	<b>December 31, 2018</b>
Notes receivable - related parties (Note 28)	<u>\$ 513</u>
Trade receivables (Note 8)	<u>\$ 31,340</u>
Trade receivables - related parties (Note 28)	<u>\$ 724,150</u>
Contract liabilities	
Designing and performing R&D of cars (Note 28)	<u>\$ 50,553</u>
Contract liabilities - current	<u>50,553</u>
Designing and performing R&D of cars (Note 28)	<u>22,487</u>
Contract liabilities - non-current	<u>22,487</u>
	<u>\$ 73,040</u>

The changes in the contract liability balances primarily result from the timing difference between the Group's performance and the customer's payment.

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

	<b>For the Year Ended December 31, 2018</b>
From the beginning contract liability	
Designing and performing R&D of cars	<u>\$ 40,292</u>

b. Disaggregation of revenue

Refer to Note 33 for information about disaggregation of revenue.

c. Partially completed contracts

The performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as below.

	<b>December 31, 2018</b>
Designing and performing R&D of cars	
- in 2019	50,553
- in 2020	<u>22,487</u>
	<u>\$ 73,040</u>

The above information does not include contracts with expected duration equal to or less than one year.

**21. NET PROFIT**

a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gains on disposal of property, plant and equipment	\$ -	\$ 104
Losses on disposal of property, plant and equipment	<u>-</u>	<u>(789)</u>
Net loss	<u>\$ -</u>	<u>\$ (685)</u>

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 408,402	\$ 483,121
Computer software	<u>7,659</u>	<u>5,280</u>
	<u>\$ 416,061</u>	<u>\$ 488,401</u>
An analysis of depreciation by function		
Operating costs	\$ 379,843	\$ 450,244
Operating expenses	<u>28,559</u>	<u>32,877</u>
	<u>\$ 408,402</u>	<u>\$ 483,121</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 7,659</u>	<u>\$ 5,280</u>



## c. Technical cooperation agreement

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	<u>\$ 518,704</u>	<u>\$ 517,931</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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 14,825	\$ 14,440
Defined benefit plans	<u>9,742</u>	<u>10,230</u>
	<u>24,567</u>	<u>24,670</u>
Labor and health insurance	\$ 39,890	\$ 37,940
Salary	560,231	592,325
Remuneration of directors	14,467	15,600
Other employee benefits	<u>51,638</u>	<u>53,527</u>
	<u>666,226</u>	<u>699,392</u>
Total employee benefits expense	<u>\$ 690,793</u>	<u>\$ 724,062</u>
An analysis of employee benefits expense by function		
Operating costs	\$ -	\$ 409
Operating expenses	<u>\$ 690,359</u>	<u>\$ 723,012</u>
Non-operating expenses	<u>\$ 434</u>	<u>\$ 641</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, 2018 and 2017, which have been approved by the Company's board of directors on March 22, 2019 and March 26, 2018, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	0.10%	0.10%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 7,684	\$ 8,011

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, 2017 and 2016.

Information on the employees' compensation resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange, net

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Foreign exchange gains	\$ 148,716	\$ 202,872
Foreign exchange losses	<u>(132,658)</u>	<u>(528,077)</u>
Net profit (loss)	<u>\$ 16,058</u>	<u>\$ (325,205)</u>

g. Gain or loss on disposal of investments, net

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Gains on disposal of investments	\$ 13,412	\$ 14,047
Losses on disposal of investments	<u>(15,908)</u>	<u>(12,102)</u>
Net profit (loss)	<u>\$ (2,496)</u>	<u>\$ 1,945</u>

## 22. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 1,384,645	\$ 1,167,101
Adjustments for prior years	604	(1,640)
Deferred tax		
In respect of the current year	153,769	195,460
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>247,496</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,786,514</u>	<u>\$ 1,360,921</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax	<u>\$ 7,676,560</u>	<u>\$ 8,003,421</u>
Income tax expense calculated at the statutory rate (20% and 17% at 2018 and 2017, respectively)	\$ 1,535,312	\$ 1,360,582
Adjustments of expenses in determining taxable income	3,701	2,999
Tax-exempt income	(599)	(1,020)
Adjustments to deferred tax attributable to changes in tax rates and laws	247,496	-
Adjustments for prior years' tax	<u>604</u>	<u>(1,640)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,786,514</u>	<u>\$ 1,360,921</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

Under the laws of the Cayman Islands and the British Virgin Islands, Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc., respectively, is tax-exempt.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 3,128	\$ -
In respect of the current year		
Share of other comprehensive income of subsidiary accounted for using equity method	13	17
Remeasurement on defined benefit plans	<u>(6,607)</u>	<u>(2,198)</u>
Recognized in other comprehensive income (loss)	<u>\$ (3,466)</u>	<u>\$ (2,181)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 648,662</u>	<u>\$ 442,943</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, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<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>

For the year ended December 31, 2018

	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	\$ 67,028	\$ 2,774	\$ (3,494)	\$ 66,308
Provisions for warranties	25,753	4,598	-	30,351
Provisions for loss on inventory purchase commitments	17,634	1,919	-	19,553
Unrealized exchange loss, net	16,561	(16,561)	-	-
Share of other comprehensive loss of associates accounted for using equity method	84	-	28	112
	<u>\$ 127,060</u>	<u>\$ (7,270)</u>	<u>\$ (3,466)</u>	<u>\$ 116,324</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of subsidiaries	\$ 1,511,815	\$ 382,378	\$ -	\$1,894,193
Unrealized exchange gain, net	-	11,617	-	11,617
	<u>\$ 1,511,815</u>	<u>\$ 393,995</u>	<u>\$ -</u>	<u>\$1,905,810</u>

e. Income tax assessments

The Company's tax returns through 2016, except 2015, 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

	<u>For the Year Ended December 31</u>	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 5,890,046</u>	<u>\$ 6,642,500</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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>24</u>	<u>22</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,024</u>	<u>300,022</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, 2018 and 2017, the Group entered into the following non-cash investing activities:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 722,385	\$ 261,272
Net changes of prepayment for equipment	29,962	4,309
Net changes of trade payables	<u>(129,649)</u>	<u>239,978</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 622,698</u>	<u>\$ 505,559</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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
No later than 1 year	\$ 2,311	\$ 1,871
Later than 1 year and not later than 3 years	<u>9,245</u>	<u>-</u>
	<u>\$ 11,556</u>	<u>\$ 1,871</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, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 325,129	\$ -	\$ -	\$ 325,129
Trade receivables - related parties	<u>-</u>	<u>-</u>	<u>31,282</u>	<u>31,282</u>
	<u>\$ 325,129</u>	<u>\$ -</u>	<u>\$ 31,282</u>	<u>\$ 356,411</u>

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<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>

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.

For trade receivables - related parties that are measured at FVTPL and have a 4-day credit period, the fair value is measured according to the original invoice amount and the effect of discounting is immaterial.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 874,052
Mandatorily at FVTPL	356,411	-
Loans and receivables (Note 1)	-	7,886,477
Financial assets at amortized cost (Note 2)	7,995,426	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	2,120,989	1,499,745

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 assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, part of trade receivables and other receivables.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise 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 31.

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.

	<u>RMB</u>		<u>U.S. Dollar</u>		<u>Japan Yen</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Gain (loss)	\$ (284,368)	\$ (228,573)	\$ (35,520)	\$ (58,047)	\$ (1,051)	\$ (4,646)

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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 6,066,522	\$ 3,643,271
Financial liabilities	-	-
Cash flows interest rate risk		
Financial assets	976,658	3,178,750
Financial liabilities	-	-

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, 2018 would increase/decrease by \$2,442 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, 2017 would decrease/increase by \$7,947 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

2) Credit risk

The Group's concentration of credit risk of 76% and 48% in total trade receivables as of December 31, 2018 and 2017, 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, 2018 and 2017, the available unutilized borrowings facilities were both \$5,700,000 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, 2018

	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 1,829,604</u>	<u>\$ 196,192</u>	<u>\$ 95,193</u>

December 31, 2017

	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 1,382,883</u>	<u>\$ 62,984</u>	<u>\$ 53,878</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

<u>Related Party</u>	<u>Relationship with the Group</u>
Investors that have significant influence over the Group	
Nissan Motor Corporation (“Nissan”)	Equity-method investor of the Company
Yulon Motor Co., Ltd. (“Yulon”)	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan 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
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

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
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
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.	Subsidiary of Singan Co., Ltd.
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Shinshin Credit Corporation	Subsidiary of Taiwan Acceptance Corporation

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
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. Co., Ltd.	Subsidiary of ROC Spicer Co., Ltd.
Kuen You Trading Co., Ltd.	Investee of Yu Sing Motor 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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Sales</u>		
Taiwan Acceptance Corporation	\$ 27,315,091	\$ 29,166,734
Investors that have significant influence	13,917	20,736
Other parties	<u>3,352,595</u>	<u>3,418,576</u>
	<u>\$ 30,681,603</u>	<u>\$ 32,606,046</u>
<u>Service revenue</u>		
Autech Japan, Inc.	\$ 38,884	\$ 21,628
Nissan	<u>21,074</u>	<u>10,923</u>
	<u>\$ 59,958</u>	<u>\$ 32,551</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Other operating revenue</u>		
Yulon	\$ 23,383	\$ 31,480
Other parties	<u>50,304</u>	<u>59,618</u>
	<u>\$ 73,687</u>	<u>\$ 91,098</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Operating costs - purchases</u>		
Yulon	\$ 24,542,096	\$ 25,632,031
Investors that have significant influence	20,578	24,148
Other parties	<u>25,575</u>	<u>34,018</u>
	<u>\$ 24,588,249</u>	<u>\$ 25,690,197</u>
<u>Operating costs - TCA</u>		
Nissan	\$ 432,691	\$ 463,879
Autech Japan, Inc.	<u>86,013</u>	<u>54,052</u>
	<u>\$ 518,704</u>	<u>\$ 517,931</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Operating expenses - rental</u>		
Yulon	\$ 59,431	\$ 14,892
Ka-Plus Automobile Leasing Co., Ltd.	8,233	9,041
Other parties	<u>4,409</u>	<u>4,767</u>
	<u>\$ 72,073</u>	<u>\$ 28,700</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.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Selling and marketing expenses</u>		
Yu Ming Motor Co., Ltd.	\$ 285,135	\$ 262,845
Yu Chang Motor Co., Ltd.	263,433	350,981
Investors that have significant influence	13,925	15,333
Other parties	<u>1,302,981</u>	<u>1,525,718</u>
	<u>\$ 1,865,474</u>	<u>\$ 2,154,877</u>

General and administrative expenses

Yulon Management Co., Ltd.	\$ 175,969	\$ 174,773
Investors that have significant influence	15,174	21,336
Other parties	<u>7,099</u>	<u>8,688</u>
	<u>\$ 198,242</u>	<u>\$ 204,797</u>

Research and development expenses

Yulon	\$ 91,568	\$ 50,430
Investors that have significant influence	27,424	10,263
Other parties	<u>16,656</u>	<u>27,720</u>
	<u>\$ 135,648</u>	<u>\$ 88,413</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:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Investors that have significant influence	\$ -	\$ 2,673
Other parties	<u>68,898</u>	<u>10,767</u>
	<u>\$ 68,898</u>	<u>\$ 13,440</u>

2) Non-operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Other revenues</u>		
Tokio Marine Nawa Insurance Co., Ltd.	<u>\$ 1,579</u>	<u>\$ 1,892</u>
<u>Overseas business expenses</u>		
Yulon Management Co., Ltd.	\$ 4,661	\$ 2,224
Other parties	<u>-</u>	<u>479</u>
	<u>\$ 4,661</u>	<u>\$ 2,703</u>
<u>Other losses</u>		
Investors that have significant influence	<u>\$ -</u>	<u>\$ 46</u>

3) Receivables from related parties

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
Yushin Motor Co., Ltd.	\$ 53	\$ 1,235
Yuan Lon Motor Co., Ltd.	<u>460</u>	<u>377</u>
	<u>\$ 513</u>	<u>\$ 1,612</u>
<u>Trade receivables</u>		
Taiwan Acceptance Corporation	\$ 615,806	\$ 412,802
Yulon	88,288	382,335
Investors that have significant influence	10,630	8,528
Other parties	<u>179,381</u>	<u>94,291</u>
	<u>\$ 894,105</u>	<u>\$ 897,956</u>



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

Trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

As of December 31, 2018, the balance of trade receivables from related parties includes \$31,282 thousand, which is sold to Taiwan Acceptance Corporation without recourse. It is measured at FVTPL. Refer to Note 27.

4) Payables to related parties

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Trade payables</u>		
Yulon	\$ 811,332	\$ 419,184
Nissan	120,917	84,896
Other parties	<u>370,979</u>	<u>371,384</u>
	<u>\$ 1,303,228</u>	<u>\$ 875,464</u>

Trade payables to related parties are unsecured.

5) Refundable deposits

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Yulon	\$ 94,617	\$ 96,770
Other parties	<u>800</u>	<u>800</u>
	<u>\$ 95,417</u>	<u>\$ 97,570</u>

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

6) Prepayments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Yulon	<u>\$ 9,732</u>	<u>\$ 10,866</u>

Prepayments to Yulon are for office rental.

7) Contract liabilities

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Autech Japan, Inc.	\$ <u>73,040</u>	\$ <u>-</u>

The Company designs and develops car models for Autech Japan, Inc. and, according to the related contracts, receives payments before satisfying performance obligations. Those contract liabilities are recognized as current and non-current liabilities according to the timing of revenue recognition.

8) Receipts in advance

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Autech Japan, Inc.	\$ <u>-</u>	\$ <u>113,331</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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 38,670	\$ 44,525
Post-employment benefits	<u>2,485</u>	<u>2,205</u>
	<u>\$ 41,155</u>	<u>\$ 46,730</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 \$1,953,041 thousand and \$2,032,306 thousand for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company had received \$1,921,759 thousand and \$1,997,141 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, 2018 and 2017 were both 2.32%-2.33%; and the interest expenses recognized were \$997 thousand and \$1,019 thousand, respectively.

As of December 31, 2018, the abovementioned unreceived amount of receivables sold is \$31,282 thousand. The Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale will result in derecognizing these trade receivables because the Company will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL under IFRS 9, because the objective of the Company's business model is achieved by selling financial assets.

- 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. The total newly-signed contract amount in December 2018 was \$27,744 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2018, the Company had already paid \$1,283,630 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). The total newly-signed contract amount in August and October 2018 was \$142,071 thousand (excluding of tax). As of December 31, 2018, 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). The total newly-signed contract amount in August and October 2018 was \$140,440 thousand (excluding of tax). As of December 31, 2018, 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). The total newly-signed contract amount in August 2018 was \$41,616 thousand (excluding of tax). As of December 31, 2018, 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 LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 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, 2018, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Acquisition of property, plant, and equipment	<u>\$ 41,891</u>	<u>\$ 180,059</u>

## 30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Board of Directors of the Company approved to dispose of the shareholdings in the indirect investment in Aeolus Automobile Co., Ltd., Dongfeng Yulon Used Cars Co., Ltd., and Shenzhen Lan You Technology Co., Ltd. and also approved to increase the shareholding in the indirect investment in Guangzhou Aeolus Automobile Co., Ltd. on January 28, 2019.

### 31. 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, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,145,797	4.4720 (RMB:NTD)	\$ 5,124,004
USD	23,129	30.715 (USD:NTD)	710,407
RMB	125,886	0.1457 (RMB:USD)	563,365
JPY	75,652	0.2782 (JPY:NTD)	<u>21,046</u>
			<u>\$ 6,418,822</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	101	0.2782 (JPY:NTD)	<u>\$ 28</u>

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

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

Foreign Currencies	For the Year Ended December 31			
	2018	Net Foreign Exchange Gain (Loss)	2017	Net Foreign Exchange Gain (Loss)
	Exchange Rate		Exchange Rate	
RMB	4.5600 (RMB:NTD)	\$ 83,355	4.5070 (RMB:NTD)	\$ (270,850)
RMB	0.1512 (RMB:USD)	(111,423)	0.1480 (RMB:USD)	116,515
USD	30.149 (USD:NTD)	42,356	30.432 (USD:NTD)	(175,577)
JPY	0.2730 (JPY:NTD)	<u>1,770</u>	0.2713 (JPY:NTD)	<u>4,707</u>
		<u>\$ 16,058</u>		<u>\$ (325,205)</u>

### 32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 1 (attached)
- 4) Marketable securities acquired and disposed 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.

### 33. SEGMENTS INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

#### a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Revenue		Profit Before Tax	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Vehicle segment	\$ 27,409,358	\$ 29,274,487	\$ 1,146,818	\$ 1,878,694
Part segment	3,701,860	3,818,369	646,972	642,416
Investment segment	-	-	6,240,242	6,060,323
Other segment	146,512	128,918	(441,427)	(429,231)
	\$ 31,257,730	\$ 33,221,774	7,592,605	8,152,202
Loss on disposal of property, plant and equipment			-	(685)

## ■ ■ Financial Information

Interest income	82,859	197,870
Gain on financial assets at fair value through profit or loss, net	2,998	4,052
Foreign exchange gain (loss), net	16,058	(325,205)
Interest expense	(997)	(11,158)
Gain (loss) on disposal of investments, net	(2,496)	1,945
Central administration costs	<u>(14,467)</u>	<u>(15,600)</u>
Profit before tax	<u>\$ 7,676,560</u>	<u>\$ 8,003,421</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2018 and 2017.

Segment profit represents the profit earned by each segment, excluding the allocation of loss on disposal of property, plant and equipment, interest income, gain on fair value changes of financial assets at fair value through profit or loss, net, foreign exchange gain (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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Vehicle segment	\$ 1,712,832	\$ 1,392,785
Part segment	17,941	28,623
Investment segment	15,629,726	15,251,359
Other segment	<u>62,427</u>	<u>57,817</u>
	17,422,926	16,730,584
Unallocated assets	<u>8,676,821</u>	<u>9,046,203</u>
Consolidated total assets	<u>\$ 26,099,747</u>	<u>\$ 25,776,787</u>

### c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Vehicles	\$ 27,409,358	\$ 29,274,487
Parts	3,701,860	3,818,369
Others	<u>146,512</u>	<u>128,918</u>
	<u>\$ 31,257,730</u>	<u>\$ 33,221,774</u>



## d. Geographical information

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Domestic	\$ 31,044,202	\$ 33,040,470
Overseas	<u>213,528</u>	<u>181,304</u>
	<u>\$ 31,257,730</u>	<u>\$ 33,221,774</u>

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Domestic	\$ 1,989,617	\$ 1,614,655
Overseas	<u>-</u>	<u>-</u>
	<u>\$ 1,989,617</u>	<u>\$ 1,614,655</u>

## e. Information about major customers

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Certain customer from the vehicle segment	<u>\$ 27,315,091</u>	<u>\$ 29,166,734</u>

No other single customers contributed 10% or more to the Group's revenue for the years ended December 31, 2018 and 2017.

TABLE 1

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2018				Note
				Stocks (Thousands)	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>							
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss	6,165	\$ 100,073	-	\$ 100,073	
	PineBridge Emerging Market Asia-Pacific Strategic Bond	-	Financial assets at fair value through profit or loss	2,713	30,292	-	30,292	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	1,844	30,019	-	30,019	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	1,862	30,000	-	30,000	
	The RSIT Enhanced Money Market Fund	-	Financial assets at fair value through profit or loss	2,093	25,014	-	25,014	
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss	1,799	25,014	-	25,014	
	KGI Victory Money Market Fund	-	Financial assets at fair value through profit or loss	1,730	20,000	-	20,000	
	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss	1,348	19,435	-	19,435	
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	1,448	18,112	-	18,112	
	Nomura Global Equity Fund TWD	-	Financial assets at fair value through profit or loss	800	12,504	-	12,504	
	Cathay Senior Secured High Yield Bond Fund	-	Financial assets at fair value through profit or loss	1,000	10,081	-	10,081	
Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss	290	4,585	-	4,585		

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, 2018.

**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, 2018  
(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>													
	Yuanta De- Bao Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	41,824	\$ 500,000	41,824	\$ 501,251	\$ 500,000	\$ 1,251	-	\$ -
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	29,693	400,000	29,693	400,491	400,000	491	-	-
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	40,075	500,000	40,075	501,138	500,000	1,138	-	-
	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	19,362	304,585	19,072	300,803	300,000	803	290	4,585
	PineBridge Taiwan Money Market Securities Investment Trust Fund	Financial assets at fair value through profit or loss	-	-	14,685	200,000	7,327	100,000	22,012	300,602	300,000	602	-	-
	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	32,864	500,000	32,864	501,344	500,000	1,344	-	-
	Fuh Hwa Money Market	Financial assets at fair value through profit or loss	-	-	-	-	36,146	519,435	34,798	501,110	500,000	1,110	1,348	19,435
	Shin Kong Chi-Shin Money-Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	45,411	700,000	45,411	701,475	700,000	1,475	-	-

Note: Shown at their original investment amount.



**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, 2018  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables \$ 615,806	53.11	\$ -	-	\$ 615,806	\$ -

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

**TABLE 5**

**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(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, 2018			Net Income of the Investee	Share of Profit	Note
				December 31, 2018	December 31, 2017	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	\$ 16,244,030	\$ 6,170,791	\$ 6,170,791	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 528,672	US\$ 204,680	US\$ 204,680	Notes 1 and 2

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, 2018  
(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	\$ 6,967	-	-
				Reduction of general and administrative expenses	23,292	-	-

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, 2018  
(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, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,778,453 (US\$ 125,326)	\$ 625,334 (US\$ 20,741)	\$ 2,016,228 (US\$ 65,643)	\$ 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	46,648 (US\$ 1,547)	15,450 (US\$ 512)	732,038 (US\$ 23,833)	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	13,791,934 (US\$ 457,459)	5,516,773 (US\$ 182,984)	12,088,780 (US\$ 393,579)	29,600,606 (US\$ 950,492)
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	187,601 (US\$ 6,222)	84,421 (US\$ 2,800)	790,455 (US\$ 25,735)	-
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	17,183 (US\$ 570)	8,420 (US\$ 279)	2,225 (US\$ 72)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	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)	\$12,274,220

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.



**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 2017	Fiscal year 2018	Amount	%
Current Assets	\$ 8,783,713	\$ 8,364,080	(\$ 419,633)	(5)
Long-Term Equity Investments	15,251,359	15,629,726	378,367	2
Fixed Assets	1,479,225	1,793,200	313,975	21
Other Assets	262,490	312,741	50,251	19
Total Assets	25,776,787	26,099,747	322,960	1
Current Liabilities	2,545,626	3,323,171	777,545	31
Other Liabilities	2,036,537	2,319,542	283,005	14
Total Liabilities	4,582,163	5,642,713	1,060,550	23
Share Capital	3,000,000	3,000,000	0	0
Capital Reserves	6,129,405	6,129,405	0	0
Retained Earnings	12,440,237	12,059,784	(380,453)	(3)
Other adjustment items shareholders' equity	(375,018)	(732,155)	357,137	95
Total share holder equity	21,194,624	20,457,034	(737,590)	(3)

#### Variance Analysis

The increase of total amount of current liabilities was because of the tax rate change from 17% to 20%, so the deferred tax liabilities increase.

## 2. Financial Performance

### (1) Comparison and Analysis of Financial Performance

Unit : NTD thousand

Item	Fiscal Year		Increase (Decrease) Amount	Changes(%)
	Fiscal year 2017	Fiscal year 2018		
Gross Revenue	\$ 33,247,970	\$ 31,272,085	(1,975,885)	(6)
Less: Sales Returns Sales Allowances	<u>26,196</u>	<u>14,355</u>	(11,841)	(45)
Net Operating Revenue	33,221,774	31,257,730	(1,964,044)	(6)
Operating Cost	<u>27,037,319</u>	<u>25,931,003</u>	(1,106,316)	(4)
Operating margin	6,184,455	5,326,727	(857,728)	(14)
Operating Expenses	<u>4,108,767</u>	<u>3,989,973</u>	(118,794)	(3)
Operating Profit	2,075,688	1,336,754	(738,934)	(36)
Non-Operating Revenue and Gain	5,951,900	6,354,251	402,351	7
Non-Operating Expense and Loss	<u>24,167</u>	<u>14,445</u>	(9,722)	(40)
Income Before Income Tax	8,003,421	7,676,560	(326,861)	(4)
Income Tax Expense	<u>1,360,921</u>	<u>1,786,514</u>	425,593	31
Net Income	<u>\$ 6,642,500</u>	<u>\$ 5,890,046</u>	(752,454)	11

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			Volume difference
		Selling Price Difference	Cost Price Difference	Combined Sales Difference	
Gross Profit	(857,728)	101,550	(931,107)	(22,412)	(23,353)
Content	1. Favorable cost variance was caused by the increase in sales price for cars in 2018. 2. Unfavorable cost variance was caused by the increased of purchase cost for cars in 2018. 3. Unfavorable sales mix variance was caused by the reduce in sales for cars with higher gross profit in 2018. 4. Unfavorable volume variance was caused by the reduction in sales volume of cars in 2018. 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 NTD27,406 thousand in 2018. 6. For the company income from the sales of steel plates, the non-operating income was decreased by NTD9,812 thousand in 2018.				

**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 (%)	85	45	(47.06%)
Cash Flow Adequacy Ratio (%)	2	2	-
Cash Reinvestment Ratio (%)	(Note)	(Note)	-
Difference Analysis and Description of Changes in Increase and Decrease Ratio: Reduced cash flow adequacy ratio was caused by decreasing in net income . Operating activities are net cash outflows and 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
7,043,180	1,045,144	(871,948)	7,216,376	-	-

## 4. Influence on Financial Condition caused by Prominent Capital Expenditures in fiscal year 2018

### (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	3,318,622	536,295	288,885	228,539	741,013	806,016	717,874
Other equipment	Self-owned fund	2019.12.31	225,179	77,116	31,836	23,224	29,685	61,704	1,614
MIS equipment	Self-owned fund	2019.12.31	53,348	3,880	6,144	9,509	10,163	18,692	4,960

### (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, 2018	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	USD 204,570	Growing Status of China Car Market	Nil	Nil
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	16.55	USD 20,741	Growing Status of China Car Market	Nil	Nil
	Aeolus Automobile Co., Ltd.	33.12	USD 512	Business Growth	Nil	Nil
	Guangzhou Aeolus Automobile Co., Ltd.	40	USD 182,984	Growing Status of China Car Market	Nil	Nil
	Shenzhen Lan You Technology Co., Ltd.	45	USD 2,800	Business Growth	Nil	Nil
	Dong Feng Yulon Used Cars Co., Ltd.	49	USD 279	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.

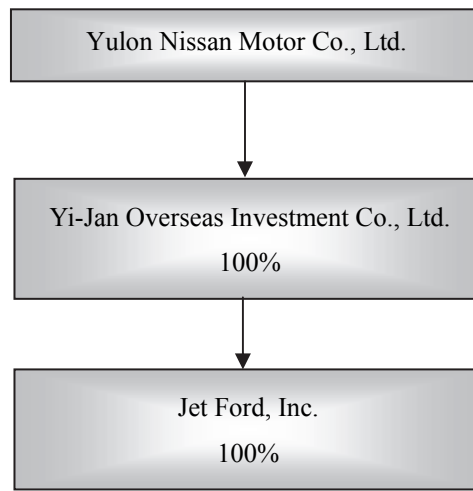
**(13)Other Important Risks and actions to be taken: Nil.****7. Other Important Items: Nil**

## | 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, 2018  
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, 2018

Name	Title	Name or representative	Shares	
			Shares	Percentage
Yi-Jan Overseas Investment Co., Ltd.	Director	Yulon Nissan Motor Co., Ltd. Representative: Kuo-Rong Chen	84,986,756	100%
Jet Ford, Inc.	Director Director Director	Yi-Jan Overseas Investment Co., Ltd. Representative : Kuo-Rong Chen Leman C.C. Lee Joseph Hsiung	71,771,793	100%

5. Affiliates' Operating Results

Dec. 31, 2018

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	16,244,030	0	16,244,030	6,170,920	6,170,791	6,170,791	72.61
22270002	Jet Ford, Inc.	2,347,251	16,245,123	6,967	16,238,156	6,164,140	6,170,899	6,170,899	85.98

## (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, 2018 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: Yen Chen, Li Lien



March 22, 2019

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

2. **Fiscal Year 2018 and prior to the publication date of the annual report, The Status of Issuing Private Placement Securities: Nil**
3. **Fiscal Year 2018 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 3 Paragraph 2 in Article 36 of the Securities Transaction Law for fiscal year 2018 and prior to the publication date of the annual report: Nil**

**Yulon Nissan Motor Co., Ltd.**



**Chairperson Yen Chen, Li Lien**



## **Corporate Vision**

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

### **YULON NISSAN MOTOR CO., LTD**

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