

**Yulon Nissan Motor Company, Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2016 and 2015 and the related consolidated statements of comprehensive income for the three months ended September 30, 2016 and 2015, nine months ended September 30, 2016 and 2015, and changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.



November 4, 2016

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 9,901,636	34	\$ 10,136,832	32	\$ 9,307,690	29
Financial assets at fair value through profit or loss (Notes 4 and 7)	2,466,304	9	1,491,543	5	1,289,433	4
Notes receivable - related parties (Notes 4 and 29)	3,101	-	6,139	-	2,562	-
Trade receivables (Notes 4 and 8)	59,325	-	71,154	-	65,707	-
Trade receivables - related parties (Notes 4 and 29)	874,450	3	478,985	2	451,252	2
Other receivables (Notes 4 and 8)	22,194	-	38,978	-	1,036,648	3
Inventories (Notes 4 and 9)	6,519	-	3,020	-	286,377	1
Prepayments (Note 29)	669,925	2	87,080	-	602,160	2
Other financial assets (Note 10)	-	-	-	-	906,528	3
Total current assets	14,003,454	48	12,313,731	39	13,948,357	44
NON-CURRENT ASSETS						
Investments accounted for using equity method (Notes 4 and 12)	13,343,838	45	16,353,618	53	15,619,185	49
Property, plant and equipment (Notes 4, 13 and 29)	1,541,538	5	1,936,231	6	1,859,092	6
Computer software (Notes 4 and 14)	21,379	-	14,330	-	11,205	-
Deferred tax assets (Note 4)	142,547	1	152,728	1	166,782	-
Other non-current assets (Notes 15 and 29)	383,004	1	408,397	1	395,045	1
Total non-current assets	15,432,306	52	18,865,304	61	18,051,309	56
TOTAL	<u>\$ 29,435,760</u>	<u>100</u>	<u>\$ 31,179,035</u>	<u>100</u>	<u>\$ 31,999,666</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 3,630,000	12	\$ 3,630,000	12	\$ 3,630,000	11
Notes payable	93,100	-	243,000	1	185,000	1
Notes payable - related parties (Note 29)	2,822	-	-	-	-	-
Trade payables	35,545	-	53,973	-	128,588	-
Trade payables - related parties (Note 29)	1,131,049	4	1,178,190	4	1,449,592	4
Other payables (Note 17)	1,041,635	4	901,930	3	833,685	3
Current tax liabilities (Note 4)	13,056	-	747,255	2	297,600	1
Provisions (Notes 4 and 18)	212,594	1	202,844	1	187,441	1
Other current liabilities (Notes 19 and 29)	356,752	1	32,507	-	736,492	2
Total current liabilities	6,516,553	22	6,989,699	23	7,448,398	23
NON-CURRENT LIABILITIES						
Provisions (Notes 4 and 18)	55,175	-	43,706	-	159,828	1
Credit balance of investments accounted for using equity method (Notes 4 and 12)	15,505	-	17,397	-	19,796	-
Net defined benefit liabilities (Note 4)	419,241	2	573,363	2	533,847	2
Deferred tax liabilities (Note 4)	2,149,096	7	1,599,692	5	2,394,348	7
Total non-current liabilities	2,639,017	9	2,234,158	7	3,107,819	10
Total liabilities	9,155,570	31	9,223,857	30	10,556,217	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	10	3,000,000	9	3,000,000	10
Capital surplus	6,129,405	21	6,129,405	20	6,129,405	19
Retained earnings						
Legal reserve	4,056,853	14	3,640,263	12	3,640,263	11
Special reserve	788,877	3	788,877	2	788,877	3
Unappropriated earnings	6,264,529	21	7,094,172	23	6,221,100	19
Total retained earnings	11,110,259	38	11,523,312	37	10,650,240	33
Other equity	40,526	-	1,302,461	4	1,663,804	5
Total equity	20,280,190	69	21,955,178	70	21,443,449	67
TOTAL	<u>\$ 29,435,760</u>	<u>100</u>	<u>\$ 31,179,035</u>	<u>100</u>	<u>\$ 31,999,666</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 4, 2016)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Note 29)								
Sales (Note 4)	\$ 8,147,746	100	\$ 7,873,927	100	\$ 27,218,328	100	\$ 26,557,256	100
Service revenue (Note 4)	705	-	2,486	-	771	-	7,392	-
Other operating revenue	15,814	-	12,860	-	36,902	-	28,981	-
Total operating revenue	8,164,265	100	7,889,273	100	27,256,001	100	26,593,629	100
OPERATING COSTS								
Cost of goods sold (Notes 9, 22 and 29)	7,120,006	87	6,718,438	85	23,348,077	86	22,539,313	85
GROSS PROFIT	1,044,259	13	1,170,835	15	3,907,924	14	4,054,316	15
OPERATING EXPENSES								
(Notes 20, 22 and 29)								
Selling and marketing expenses	565,772	7	727,247	9	2,214,863	8	2,347,599	9
General and administrative expenses	86,724	1	96,381	1	310,475	1	339,793	1
Research and development expenses	121,394	2	121,297	2	351,725	1	387,031	1
Total operating expenses	773,890	10	944,925	12	2,877,063	10	3,074,423	11
OTHER INCOME AND EXPENSES (Note 22)	(88)	-	(903)	-	(88)	-	(1,231)	-
PROFIT FROM OPERATIONS	270,281	3	225,007	3	1,030,773	4	978,662	4
NON-OPERATING INCOME AND EXPENSES								
Shares of the profit of associates	1,075,126	13	933,291	12	3,447,412	13	3,177,245	12
Interest income (Note 4)	23,662	1	136,979	1	84,119	-	306,855	1
Gain (loss) on disposal of investment, net (Note 22)	-	-	6,495	-	(11,492)	-	890	-
Other revenue (Note 29)	213	-	147	-	369	-	874	-
Foreign exchange loss, net (Note 22)	(229,807)	(3)	(257,131)	(3)	(487,659)	(2)	(525,271)	(2)
Interest expenses (Note 29)	(8,604)	-	(9,175)	-	(26,098)	-	(27,347)	-
Overseas business expenses (Note 29)	(3,344)	-	(3,627)	-	(10,332)	-	(11,106)	-
(Loss) gain from valuation of financial assets, net	(1,542)	-	(2,795)	-	3,199	-	14,626	-
Other losses (Note 29)	(336)	-	(220)	-	(3,623)	-	(616)	-
Total non-operating income and expenses	855,368	11	803,964	10	2,995,895	11	2,936,150	11
PROFIT BEFORE TAX	1,125,649	14	1,028,971	13	4,026,668	15	3,914,812	15
INCOME TAX EXPENSES (Notes 4 and 23)	195,423	3	174,163	2	689,494	3	648,548	3
NET PROFIT FOR THE PERIOD	930,226	11	854,808	11	3,337,174	12	3,266,264	12

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YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Share of the other comprehensive income of associates accounted for using equity method	\$ (25)	-	\$ (24)	-	\$ (118)	-	\$ (283)	-
Remeasurement of defined benefit plans	(53)	-	(38)	-	(156)	-	4	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	14	-	10	-	47	-	47	-
	(64)	-	(52)	-	(227)	-	(232)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(664,691)	(8)	839,550	10	(1,261,935)	(4)	246,905	1
Other comprehensive income for the period, net of income tax	(664,755)	(8)	839,498	10	(1,262,162)	(4)	246,673	1
TOTAL COMPREHENSIVE INCOME	\$ 265,471	3	\$ 1,694,306	21	\$ 2,075,012	8	\$ 3,512,937	13
NET PROFIT								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 930,226	11	\$ 854,808	11	\$ 3,337,174	12	\$ 3,266,264	12
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 265,471	3	\$ 1,694,306	21	\$ 2,075,012	8	\$ 3,512,937	13
EARNINGS PER SHARE								
(Note 24)								
Basic	\$ 3.10		\$ 2.85		\$ 11.12		\$ 10.89	
Diluted	\$ 3.10		\$ 2.85		\$ 11.12		\$ 10.88	

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

(With Deloitte & Touche review report dated November 4, 2016)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Reviewed, Not Audited)

	Share Capital	Capital Surplus (Note 21)	Retained Earnings (Notes 21 and 23)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2015	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 2,987,887</u>	<u>\$ 788,877</u>	<u>\$ 12,607,444</u>	<u>\$ 1,416,899</u>	<u>\$ 26,930,512</u>
Appropriation of 2014 earnings							
Legal reserve	-	-	652,376	-	(652,376)	-	-
Cash dividend distributed by the Company - \$30 per share	-	-	-	-	(9,000,000)	-	(9,000,000)
	-	-	652,376	-	(9,652,376)	-	(9,000,000)
Net profit for the nine months ended September 30, 2015	-	-	-	-	3,266,264	-	3,266,264
Other comprehensive income for the nine months ended September 30, 2015, net of income tax	-	-	-	-	(232)	246,905	246,673
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	3,266,032	246,905	3,512,937
BALANCE, SEPTEMBER 30, 2015	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 6,221,100</u>	<u>\$ 1,663,804</u>	<u>\$ 21,443,449</u>
BALANCE, JANUARY 1, 2016	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 7,094,172</u>	<u>\$ 1,302,461</u>	<u>\$ 21,955,178</u>
Appropriation of 2015 earnings							
Legal reserve	-	-	416,590	-	(416,590)	-	-
Cash dividend distributed by the Company - \$12.5 per share	-	-	-	-	(3,750,000)	-	(3,750,000)
	-	-	416,590	-	(4,166,590)	-	(3,750,000)
Net profit for the nine months ended September 30, 2016	-	-	-	-	3,337,174	-	3,337,174
Other comprehensive income for the nine months ended September 30, 2016, net of income tax	-	-	-	-	(227)	(1,261,935)	(1,262,162)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	3,336,947	(1,261,935)	2,075,012
BALANCE, SEPTEMBER 30, 2016	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 4,056,853</u>	<u>\$ 788,877</u>	<u>\$ 6,264,529</u>	<u>\$ 40,526</u>	<u>\$ 20,280,190</u>

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

(With Deloitte & Touche review report dated November 4, 2016)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,026,668	\$ 3,914,812
Adjustments for:		
Depreciation expenses	339,339	324,029
Amortization expenses	3,674	4,246
Gain on financial assets at fair value through profit or loss, net	(3,199)	(14,626)
Interest expense	26,098	27,347
Interest income	(84,119)	(306,855)
Share of the profit of associates	(3,447,412)	(3,177,245)
Loss on disposal of property, plant and equipment, net	88	1,231
Loss (gain) on disposal of investment, net	11,492	(890)
Foreign exchange loss, net	109,605	40,017
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(983,054)	(942,885)
Notes receivable	-	2,000
Notes receivable - related parties	3,038	(1,657)
Trade receivables	11,829	4,511
Trade receivables - related parties	(377,598)	(231,119)
Other receivables	20,454	3,270
Inventories	(3,499)	(283,638)
Prepayments	(75,522)	(93,110)
Notes payable	(149,900)	185,000
Notes payable - related parties	2,822	-
Trade payables	(18,428)	6,344
Trade payables - related parties	231,729	759,665
Other payables	101,661	(48,788)
Other current liabilities	324,245	716,794
Provisions	21,219	88,933
Net defined benefit liabilities	(154,278)	(12,476)
Cash generated from (used in) operations	(63,048)	964,910
Interest paid	(26,179)	(27,475)
Income tax paid	(1,376,391)	(1,574,158)
Net cash used in operating activities	(1,465,618)	(636,723)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other financial assets	-	1,291,566
Payment for property, plant and equipment (Note 25)	(247,340)	(283,991)
Proceeds from disposal of property, plant and equipment	-	5,196
Payments for computer software	(10,723)	(3,105)
Decrease in refundable deposits	31,262	156,050

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YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
Interest received	\$ 80,449	\$ 380,906
Dividends received	<u>5,123,304</u>	<u>4,475,590</u>
Net cash generated from investing activities	<u>4,976,952</u>	<u>6,022,212</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	<u>(3,711,875)</u>	<u>(9,000,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(34,655)</u>	<u>90,336</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(235,196)	(3,524,175)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,136,832</u>	<u>12,831,865</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,901,636</u>	<u>\$ 9,307,690</u>

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

(With Deloitte & Touche review report dated November 4, 2016)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 4, 2016.

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

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

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

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

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

The initial application of the above New or amended IFRSs in 2017, would not have any material impact on the Group’s accounting policies.

b. New IFRSs in issue but not yet endorsed by the FSC

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

The FSC announced that IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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

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

IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS No. 34, “Interim Financial Reporting” endorsed by the FSC. Disclosure information included in these interim consolidated financial statements as less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

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

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

Foreign Currencies

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

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

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

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

Inventories

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

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest 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 the 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 the equity method has been impaired, the impairment losses are recognized in profit or loss.

Property, Plant and Equipment

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

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

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

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

Computer Software

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

Impairment of Assets

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

2) Impairment of financial assets

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provisions

a. Inventory purchase commitment

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

b. Warranties

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

Revenue Recognition

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

a. Sale of goods

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

b. Rendering of services

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

c. Dividend and interest income

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

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

Employee Benefit

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

c. Termination benefits

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

Taxation

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

a. Current tax

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

Income tax of the interim period is assessed based on one-year period. The income tax expense is calculated using income before tax of the interim period based on the applicable tax rate of the expected total earnings of the year.

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Property, plant and equipment - molds and dies

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

b. Provisions for the expected cost of warranty

The Group calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of September 30, 2016, December 31, 2015 and September 30, 2015, the carrying amount of provisions for warranty was \$146,625 thousand, \$123,055 thousand and \$228,991 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	\$ 20	\$ 20	\$ 20
Checking accounts and demand deposits	1,323,260	1,454,751	770,515
Foreign currency demand deposits	5,383,773	5,678,939	4,017,849
Cash equivalents			
Foreign currency time deposits	2,841,505	2,604,490	4,315,065
Time deposits	6,900	6,900	6,900
Repurchase agreements collateralized by bonds	<u>346,178</u>	<u>391,732</u>	<u>197,341</u>
	<u>\$ 9,901,636</u>	<u>\$ 10,136,832</u>	<u>\$ 9,307,690</u>

Cash equivalents include time deposits and repurchase agreements collateralized by bonds that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Demand deposits and time deposits	0.001%-3.74%	0.01%-6.80%	0.01%-3.10%
Repurchase agreements collateralized by bonds	1.50%	1.50%	1.50%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets at FVTPL - current</u>			
Non-derivative financial assets-Mutual funds	<u>\$ 2,466,304</u>	<u>\$ 1,491,543</u>	<u>\$ 1,289,433</u>

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Trade receivables</u>	<u>\$ 59,325</u>	<u>\$ 71,154</u>	<u>\$ 65,707</u>
<u>Other receivables</u>			
Interest receivables	\$ 6,019	\$ 2,349	\$ 7,737
Disposal of investment receivables	-	15,237	-
Dividend receivables	-	-	1,017,817
Others	<u>16,175</u>	<u>21,392</u>	<u>11,094</u>
	<u>\$ 22,194</u>	<u>\$ 38,978</u>	<u>\$ 1,036,648</u>

a. Trade receivables

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

The aging of trade receivables was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
0-60 days	\$ 40,767	\$ 49,966	\$ 39,927
61-90 days	15,398	15,795	5,643
91-120 days	3,160	5,393	10,540
121-180 days	<u>-</u>	<u>-</u>	<u>9,597</u>
	<u>\$ 59,325</u>	<u>\$ 71,154</u>	<u>\$ 65,707</u>

The above aging schedule was based on the invoice date.

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

	September 30, 2016	December 31, 2015	September 30, 2015
1-60 days	<u>\$ 20,119</u>	<u>\$ 22,703</u>	<u>\$ 22,339</u>

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

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.

As of September 30, 2016, December 31, 2015 and September 30, 2015, the other receivables were mainly dividend receivables from the investees:

	September 30, 2016	December 31, 2015	September 30, 2015
Aeolus Automobile Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,817</u>

9. INVENTORIES

	September 30, 2016	December 31, 2015	September 30, 2015
Vehicles	\$ 4,317	\$ -	\$ 284,762
Parts	<u>2,202</u>	<u>3,020</u>	<u>1,615</u>
	<u>\$ 6,519</u>	<u>\$ 3,020</u>	<u>\$ 286,377</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2016 was \$7,120,006 thousand, which included warranty cost of \$42,889 thousand and reversal of loss on inventory purchase commitment of \$10,636 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2016 was \$23,348,077 thousand, which included warranty cost of \$120,704 thousand and reversal of loss on inventory purchase commitment of \$2,351 thousand. The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2015 was \$6,718,438 thousand, which included warranty cost of \$39,354 thousand and reversal of loss on inventory purchase commitment of \$6,288 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2015 was \$22,539,313 thousand, which included warranty cost of \$157,214 thousand and reversal of loss on inventory purchase commitment of \$6,300 thousand.

10. OTHER FINANCIAL ASSETS

Other financial assets are RMB time deposits with original maturities of more than three months. The ranges of the market interest rates of these time deposits were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Time deposit with original maturity of more than three months	-	-	2.50%

11. SUBSIDIARY

Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		
			September 30, 2016	December 31, 2015	September 30, 2015
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00	100.00

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Material associate</u>			
Guangzhou Aeolus Automobile Co., Ltd.	\$ 10,115,663	\$ 13,194,781	\$ 12,568,938
<u>Associates that are not individually material</u>			
Aeolus Xiangyang Automobile Co., Ltd.	1,867,816	1,736,447	1,637,156
Aeolus Automobile Co., Ltd.	745,988	801,660	816,473
Shenzhen Lan You Technology Co., Ltd.	614,371	620,730	596,618
Dong Feng Yulon Used Cars Co., Ltd.	(15,505)	(17,397)	(19,796)
	3,212,670	3,141,440	3,030,451
Add: Credit balance of investments accounted for using equity method	15,505	17,397	19,796
	3,228,175	3,158,837	3,050,247
	\$ 13,343,838	\$ 16,353,618	\$ 15,619,185

a. Material associate

Company Name	Main Business	Location	Proportion of Ownership and Voting Rights		
			September 30, 2016	December 31, 2015	September 30, 2015
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	Guangdong Province	40%	40%	40%

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs purposes.

Guangzhou Aeolus Automobile Co., Ltd.

	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 4,771,993	\$ 13,615,010	\$ 8,597,067
Non-current assets	34,513,258	37,857,580	38,615,771
Current liabilities	(13,003,454)	(17,387,572)	(14,905,459)
Non-current liabilities	<u>(992,640)</u>	<u>(1,098,065)</u>	<u>(885,033)</u>
Equity	<u>\$ 25,289,157</u>	<u>\$ 32,986,953</u>	<u>\$ 31,422,346</u>
Equity attributable to the Group	<u>\$ 10,115,663</u>	<u>\$ 13,194,781</u>	<u>\$ 12,568,938</u>
Carrying amount	<u>\$ 10,115,663</u>	<u>\$ 13,194,781</u>	<u>\$ 12,568,938</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Revenue	<u>\$ 6,983,361</u>	<u>\$ 4,954,904</u>	<u>\$ 20,106,815</u>	<u>\$ 18,722,955</u>
Net profit for the period	<u>\$ 2,516,768</u>	<u>\$ 1,905,453</u>	<u>\$ 7,842,773</u>	<u>\$ 6,834,985</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ 5,123,304</u>	<u>\$ 2,841,940</u>	<u>\$ 5,123,304</u>	<u>\$ 2,841,940</u>

b. Aggregate information of associates that are not individually material

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
The Group's share of:				
Net profit for the period	\$ 68,326	\$ 171,110	\$ 310,303	\$ 443,251
Other comprehensive loss	<u>(25)</u>	<u>(24)</u>	<u>(118)</u>	<u>(283)</u>
Total comprehensive income for the period	<u>\$ 68,301</u>	<u>\$ 171,086</u>	<u>\$ 310,185</u>	<u>\$ 442,968</u>

c. Other information

The amount recognized as share of profit of associates on equity method for the three months and the nine months ended September 30, 2016 and 2015 were based on the financial statements for the same periods, which were reviewed by independent accountants.

13. PROPERTY, PLANT, AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
<u>Cost</u>									
Balance at January 1, 2015	\$ 3,953,870	\$ 828,124	\$ 75,674	\$ 85,297	\$ 10,862	\$ 18,384	\$ 4,510	\$ 5,694	\$ 4,982,415
Additions	343,420	26,191	23	51,103	5,665	-	4,393	-	430,795
Disposals	-	-	-	(460)	(6,520)	(2,600)	-	-	(9,580)
Balance at September 30, 2015	<u>\$ 4,297,290</u>	<u>\$ 854,315</u>	<u>\$ 75,697</u>	<u>\$ 135,940</u>	<u>\$ 10,007</u>	<u>\$ 15,784</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,403,630</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2015	\$ (2,622,536)	\$ (443,092)	\$ (64,712)	\$ (66,978)	\$ (3,427)	\$ (16,369)	\$ (1,135)	\$ (5,413)	\$ (3,223,662)
Depreciation expense	(246,764)	(63,387)	(3,397)	(8,621)	(668)	(306)	(816)	(70)	(324,029)
Disposals	-	-	-	419	1,001	1,733	-	-	3,153
Balance at September 30, 2015	<u>\$ (2,869,300)</u>	<u>\$ (506,479)</u>	<u>\$ (68,109)</u>	<u>\$ (75,180)</u>	<u>\$ (3,094)</u>	<u>\$ (14,942)</u>	<u>\$ (1,951)</u>	<u>\$ (5,483)</u>	<u>\$ (3,544,538)</u>
Carrying value, net, September 30, 2015	<u>\$ 1,427,990</u>	<u>\$ 347,836</u>	<u>\$ 7,588</u>	<u>\$ 60,760</u>	<u>\$ 6,913</u>	<u>\$ 842</u>	<u>\$ 6,952</u>	<u>\$ 211</u>	<u>\$ 1,859,092</u>
<u>Cost</u>									
Balance at January 1, 2016	\$ 4,463,975	\$ 854,314	\$ 78,353	\$ 151,582	\$ 8,408	\$ 15,784	\$ 8,903	\$ 5,694	\$ 5,587,013
Additions	23,986	-	2,185	17,924	10,034	-	-	-	54,129
Disposals	-	-	(7,427)	(4,244)	-	(9,122)	-	-	(20,793)
Reversal	(109,395)	-	-	-	-	-	-	-	(109,395)
Balance at September 30, 2016	<u>\$ 4,378,566</u>	<u>\$ 854,314</u>	<u>\$ 73,111</u>	<u>\$ 165,262</u>	<u>\$ 18,442</u>	<u>\$ 6,662</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,510,954</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2016	\$ (2,950,144)	\$ (527,202)	\$ (68,095)	\$ (79,339)	\$ (3,118)	\$ (14,985)	\$ (2,394)	\$ (5,505)	\$ (3,650,782)
Depreciation expense	(256,210)	(60,754)	(3,119)	(16,764)	(970)	(126)	(1,329)	(67)	(339,339)
Disposals	-	-	7,350	4,233	-	9,122	-	-	20,705
Balance at September 30, 2015	<u>\$ (3,206,354)</u>	<u>\$ (587,956)</u>	<u>\$ (63,864)</u>	<u>\$ (91,870)</u>	<u>\$ (4,088)</u>	<u>\$ (5,989)</u>	<u>\$ (3,723)</u>	<u>\$ (5,572)</u>	<u>\$ (3,969,416)</u>
Carrying value, net, December 31, 2015	<u>\$ 1,513,831</u>	<u>\$ 327,112</u>	<u>\$ 10,258</u>	<u>\$ 72,243</u>	<u>\$ 5,290</u>	<u>\$ 799</u>	<u>\$ 6,509</u>	<u>\$ 189</u>	<u>\$ 1,936,231</u>
Carrying value, net, September 30, 2016	<u>\$ 1,172,212</u>	<u>\$ 266,358</u>	<u>\$ 9,247</u>	<u>\$ 73,392</u>	<u>\$ 14,354</u>	<u>\$ 673</u>	<u>\$ 5,180</u>	<u>\$ 122</u>	<u>\$ 1,541,538</u>

Reversal of the cost of molds is due to the decline of the original cost.

There were no signs of impairment of assets for the nine months ended September 30, 2016 and 2015; therefore, the Group did not assess for impairment.

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

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

14. COMPUTER SOFTWARE

	Amount
<u>Cost</u>	
Balance, January 1, 2015	\$ 18,724
Additions	3,105
Disposals	<u>(2,825)</u>
Balance, September 30, 2015	<u>\$ 19,004</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2015	\$ (6,378)
Amortization expense	(4,246)
Disposals	<u>2,825</u>
Balance, September 30, 2015	<u>\$ (7,799)</u>
Carrying amounts, net at September 30, 2015	<u>\$ 11,205</u>
<u>Cost</u>	
Balance, January 1, 2016	\$ 20,685
Additions	10,723
Disposals	<u>(68)</u>
Balance, September 30, 2016	<u>\$ 31,340</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2016	\$ (6,355)
Amortization expense	(3,674)
Disposals	<u>68</u>
Balance, September 30, 2016	<u>\$ (9,961)</u>
Carrying amounts, net at December 31, 2015	<u>\$ 14,330</u>
Carrying amounts, net at September 30, 2016	<u>\$ 21,379</u>

15. OTHER NON-CURRENT ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Refundable deposits	\$ 374,255	\$ 405,517	\$ 382,081
Prepayment for equipment	<u>8,749</u>	<u>2,880</u>	<u>12,964</u>
	<u>\$ 383,004</u>	<u>\$ 408,397</u>	<u>\$ 395,045</u>

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

16. BORROWINGS

Short-term Borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured bank loans	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>
Ranges of interest rate	0.89-1.06%	0.96-1.09%	0.96-1.11%

17. OTHER PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Advertising and promotion fees	\$ 639,113	\$ 425,110	\$ 492,815
Salaries and bonus	264,502	292,019	276,061
Dividends	38,125	-	-
Taxes	9,546	20,840	5,435
Others	<u>90,349</u>	<u>163,961</u>	<u>59,374</u>
	<u>\$ 1,041,635</u>	<u>\$ 901,930</u>	<u>\$ 833,685</u>

18. PROVISIONS

	September 30, 2016	December 31, 2015	September 30, 2015
Current			
Inventory purchase commitment	\$ 121,144	\$ 123,495	\$ 118,278
Warranties	<u>91,450</u>	<u>79,349</u>	<u>69,163</u>
	<u>\$ 212,594</u>	<u>\$ 202,844</u>	<u>\$ 187,441</u>
Non-current			
Warranties	<u>\$ 55,175</u>	<u>\$ 43,706</u>	<u>\$ 159,828</u>
	Inventory Purchase Commitment	Warranties	Total
Balance at January 1, 2015	\$ 111,978	\$ 146,358	\$ 258,336
Additional provisions recognized	6,300	157,214	163,514
Paid	<u>-</u>	<u>(74,581)</u>	<u>(74,581)</u>
Balance at September 30, 2015	<u>\$ 118,278</u>	<u>\$ 228,991</u>	<u>\$ 347,269</u>
Balance at January 1, 2016	\$ 123,495	\$ 123,055	\$ 246,550
Additional provisions recognized	-	120,704	120,704
Revised	(2,351)	-	(2,351)
Paid	<u>-</u>	<u>(97,134)</u>	<u>(97,134)</u>
Balance at September 30, 2016	<u>\$ 121,144</u>	<u>\$ 146,625</u>	<u>\$ 267,769</u>

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

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

19. OTHER CURRENT LIABILITIES

	September 30, 2016	December 31, 2015	September 30, 2015
Withholding	\$ 310,082	\$ 15,617	\$ 719,932
Deferred revenue	15,833	-	-
Receipts in advance	8,265	9,149	7,823
Others	<u>22,572</u>	<u>7,741</u>	<u>8,737</u>
	<u>\$ 356,752</u>	<u>\$ 32,507</u>	<u>\$ 736,492</u>

Withholding at the end of September 30, 2016 and 2015 is mainly for foreign stockholders' withholding tax on dividends.

20. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$3,406 thousand, \$3,700 thousand, \$10,217 thousand and \$23,498 thousand, for the three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014.

The defined benefit cost for the nine months ended September 30, 2015 included the adjustments of the Company's initial application of 2013 version of IAS 19. The adjustments to past service cost, which amounted to \$12,399 thousand, did not have material impact; thus the financial statements were not restated.

21. EQUITY

a. Capital surplus

	September 30, 2016	December 31, 2015	September 30, 2015
From spin-off	\$ 5,986,507	\$ 5,986,507	\$ 5,986,507
From long-term investment	<u>142,898</u>	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

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

b. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation before and after amendment, please refer to d. employee benefits expense in Note 22.

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.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 30, 2016 and June 30, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2015	2014	2015	2014
Legal reserve	\$ 416,590	\$ 652,376		
Cash dividend	3,750,000	9,000,000	\$ 12.5	\$ 30.0

22. NET PROFIT

a. Other operating income and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Loss on disposal of property, plant and equipment, net	\$ <u>(88)</u>	\$ <u>(903)</u>	\$ <u>(88)</u>	\$ <u>(1,231)</u>

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 99,707	\$ 108,867	\$ 339,339	\$ 324,029
Computer software	<u>1,320</u>	<u>1,390</u>	<u>3,674</u>	<u>4,246</u>
	<u>\$ 101,027</u>	<u>\$ 110,257</u>	<u>\$ 343,013</u>	<u>\$ 328,275</u>
An analysis of depreciation by function				
Operating cost	\$ 91,883	\$ 103,448	\$ 316,964	\$ 310,151
Operating expenses	<u>7,824</u>	<u>5,419</u>	<u>22,375</u>	<u>13,878</u>
	<u>\$ 99,707</u>	<u>\$ 108,867</u>	<u>\$ 339,339</u>	<u>\$ 324,029</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 1,320</u>	<u>\$ 1,390</u>	<u>\$ 3,674</u>	<u>\$ 4,246</u>

c. Technical cooperation agreement

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating cost	<u>\$ 136,595</u>	<u>\$ 120,267</u>	<u>\$ 444,608</u>	<u>\$ 414,656</u>

The Company has a technical cooperation agreement (“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 adding a certain proportion of revenue.

d. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Post-employment benefits				
Defined contribution plans	\$ 3,517	\$ 3,333	\$ 10,511	\$ 10,029
Defined benefit plans				
(Note 20)	<u>3,406</u>	<u>3,700</u>	<u>10,217</u>	<u>23,498</u>
	<u>6,923</u>	<u>7,033</u>	<u>20,728</u>	<u>33,527</u>
Termination benefits	650	975	2,600	2,925
Labor and health insurance	7,884	9,473	27,908	29,135
Other employee benefits	<u>136,190</u>	<u>145,995</u>	<u>450,246</u>	<u>470,731</u>
	<u>144,724</u>	<u>156,443</u>	<u>480,754</u>	<u>502,791</u>
 Total employee benefit expenses	 <u>\$ 151,647</u>	 <u>\$ 163,476</u>	 <u>\$ 501,482</u>	 <u>\$ 536,318</u>
 An analysis of employee benefits expense by function				
Operating costs	<u>\$ 103</u>	<u>\$ 149</u>	<u>\$ 435</u>	<u>\$ 475</u>
Operating expenses	<u>\$ 151,357</u>	<u>\$ 162,944</u>	<u>\$ 500,511</u>	<u>\$ 534,663</u>
Non-operating expenses	<u>\$ 187</u>	<u>\$ 383</u>	<u>\$ 536</u>	<u>\$ 1,180</u>

In compliance with the Company Act as amended in May 2015, the stockholders held their meeting and resolved amendments to the Company's Articles; the amendments stipulate distribution of employees' compensation at the rates no less than 0.1% of net profit before income tax, and employees' compensation.

The accrual rates and accrued amounts were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Employees' compensation				
- accrual rate	0.13%	0.76%	0.11%	0.60%
- accrued amount	<u>\$ 1,420</u>	<u>\$ 7,875</u>	<u>\$ 4,520</u>	<u>\$ 23,625</u>

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

The appropriations of employees' compensation for 2015 having been resolved by the board of directors on March 28, 2016, and the appropriations of bonus to employees for 2014 having been approved in the stockholders' meetings on June 30, 2015, respectively, were stated as below. The employees' compensation for 2015 are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the stockholders' in their meeting held on June 30, 2016, and in addition thereto a report of such distribution shall be submitted to the stockholders' meeting.

	For the Year Ended December 31	
	2015	2014
	Cash	Cash
Employees' compensation/bonus to employees	\$ 11,500	\$ 33,723

There was no difference between the amounts of the employees' compensation resolved by the board of directors on March 28, 2016 and the amounts of the bonus to employees approved in the stockholders' meetings on June 30, 2015, and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014.

Information on the employees' compensation for 2015 resolved by the Company's board of directors in 2016 and bonus to employees for 2014 resolved by the stockholders' meeting in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Foreign exchange gains	\$ 1,499	\$ 28,169	\$ 124,576	\$ 327,170
Foreign exchange losses	<u>(231,306)</u>	<u>(285,300)</u>	<u>(612,235)</u>	<u>(852,441)</u>
Net loss	<u>\$ (229,807)</u>	<u>\$ (257,131)</u>	<u>\$ (487,659)</u>	<u>\$ (525,271)</u>

f. Gain or loss on sale of investment

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Total gain on sale of investment	\$ -	\$ 8,828	\$ 2,201	\$ 18,127
Total loss on sale of investment	<u>-</u>	<u>(2,333)</u>	<u>(13,693)</u>	<u>(17,237)</u>
Net profit (loss)	<u>\$ -</u>	<u>\$ 6,495</u>	<u>\$ (11,492)</u>	<u>\$ 890</u>

23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current tax				
In respect of current period	\$ 13,196	\$ 700,026	\$ 128,966	\$ 816,050
In respect of prior periods	2,943	(967)	896	(7,742)
Deferred tax				
In respect of current period	<u>179,284</u>	<u>(524,896)</u>	<u>559,632</u>	<u>(159,760)</u>
Income tax expense recognized in profit or loss	<u>\$ 195,423</u>	<u>\$ 174,163</u>	<u>\$ 689,494</u>	<u>\$ 648,548</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC. Under the laws of the Cayman Islands and the British Virgin Islands, Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc., respectively, is tax-exempt.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Deferred tax</u>				
In respect of the current period				
Recognized in other comprehensive income				
Share of other comprehensive income of associates	\$ 4	\$ 3	\$ 20	\$ 47
Remeasurement of defined benefit plan	<u>10</u>	<u>7</u>	<u>27</u>	<u>-</u>
Income tax expense recognized in other comprehensive income	<u>\$ 14</u>	<u>\$ 10</u>	<u>\$ 47</u>	<u>\$ 47</u>

c. Integrated income tax

	September 30, 2016	December 31, 2015	September 30, 2015
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 6,264,529</u>	<u>\$ 7,094,172</u>	<u>\$ 6,221,100</u>
Imputation credit account ("ICA")	<u>\$ 552,703</u>	<u>\$ 594,566</u>	<u>\$ 456,320</u>
		For the Nine Months Ended September 30	
		2016 (Actual)	2015 (Actual)
Creditable ratio for distribution of earnings		<u>18.89%</u>	<u>15.34%</u>

d. Income tax assessment

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

24. EARNINGS PER SHARE

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 930,226</u>	<u>\$ 854,808</u>	<u>\$ 3,337,174</u>	<u>\$ 3,266,264</u>

Weighted-average number of ordinary shares outstanding (in thousand shares):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Weighted-average number of common stock in computation of basic earnings per share	300,000	300,000	300,000	300,000
Effect of potentially dilutive common stock:				
Employees' compensation/ bonus issue to employee	<u>22</u>	<u>110</u>	<u>33</u>	<u>233</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,022</u>	<u>300,110</u>	<u>300,033</u>	<u>300,233</u>

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

25. NON-CASH TRANSACTIONS

For the nine months ended September 30, 2016 and 2015, the Group entered into the following non-cash investing activities:

	For the Nine Months Ended September 30	
	2016	2015
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 54,129	\$ 430,795
Net change of prepayment for equipment	5,869	(22,348)
Net change of trade payables	<u>187,342</u>	<u>(124,456)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 247,340</u>	<u>\$ 283,991</u>

26. OPERATING LEASE AGREEMENTS

The Company as Lessee

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

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

	September 30, 2016	December 31, 2015	September 30, 2015
No later than 1 year	\$ 15,449	\$ 10,474	\$ 4,828
Later than 1 year and not later than 3 years	<u>3,189</u>	<u>4,067</u>	<u>6,706</u>
	<u>\$ 18,638</u>	<u>\$ 14,541</u>	<u>\$ 11,534</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

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

a) Fair value hierarchy

September 30, 2016

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 2,466,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,466,304</u>

December 31, 2015

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

September 30, 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 1,289,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,433</u>

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

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

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

b. Categories of financial instruments

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets</u>			
Fair value through profit or loss			
Held for trading	\$ 2,466,304	\$ 1,491,543	\$ 1,289,433
Loans and receivables (Note 1)	10,860,706	10,732,088	11,770,387
<u>Financial liabilities</u>			
Amortized cost (Note 2)	5,670,049	5,699,943	5,924,604

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the RMB, USD, and JPY.

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

	RMB Impact		USD Impact		JPY Impact	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015	2016	2015
Gain (loss)	\$ (337,834)	\$ (526,222)	\$ (95,624)	\$ (5,907)	\$ (2,340)	\$ (375)

This was mainly attributable to the exposure outstanding on RMB, USD and JPY 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:

	September 30, 2016	December 31, 2015	September 30, 2015
Fair value interest rate risk			
Financial assets	\$ 3,191,566	\$ 3,001,776	\$ 3,432,267
Financial liabilities	500,000	500,000	500,000
Cash flows interest rate risk			
Financial assets	6,710,050	7,135,036	6,781,931
Financial liabilities	3,130,000	3,130,000	3,130,000

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2016 and 2015 would increase/decrease by \$6,713 thousand and \$6,847 thousand, respectively, which were mainly attributable to the Group's exposure to interest rates on its demand deposits, time deposits and short-term borrowings.

2) Credit risk

The Group's concentration of credit risk of 82%, 67% and 66% in total trade receivables as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively, was 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 short-term borrowings and ensures compliance with loan covenants.

The Group relies on short-term borrowings as a significant source of liquidity. As of September 30, 2016, December 31, 2015 and September 30, 2015, the available unutilized short-term borrowing facilities were all \$2,070,000 thousand.

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

September 30, 2016

	Weighted- average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,886,872	\$ 86,950	\$ 65,126
Floating interest rate instrument	0.89	3,132,628	-	-
Fixed interest rate instrument	1.06	<u>436</u>	<u>500,218</u>	<u>-</u>
		<u>\$ 5,019,936</u>	<u>\$ 587,168</u>	<u>\$ 65,126</u>

December 31, 2015

	Weighted- average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,664,346	\$ 223,486	\$ 180,929
Floating interest rate instrument	0.96	3,132,829	-	-
Fixed interest rate instrument	1.09	<u>500,269</u>	<u>-</u>	<u>-</u>
		<u>\$ 5,297,444</u>	<u>\$ 223,486</u>	<u>\$ 180,929</u>

September 30, 2015

	Weighted- average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 2,094,411	\$ 57,468	\$ 141,493
Floating interest rate instrument	0.96	1,133,427	2,000,767	-
Fixed interest rate instrument	1.11	<u>500,319</u>	<u>-</u>	<u>-</u>
		<u>\$ 3,728,157</u>	<u>\$ 2,058,235</u>	<u>\$ 141,493</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

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

(Continued)

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

(Concluded)

- b. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other parties were disclosed below:

1) Trading transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Sales</u>				
Investors that have significant influence over the Group	\$ 10,011	\$ 8,463	\$ 33,297	\$ 16,339
Others	<u>8,009,716</u>	<u>7,727,355</u>	<u>26,779,797</u>	<u>26,155,627</u>
	<u>\$ 8,019,727</u>	<u>\$ 7,735,818</u>	<u>\$ 26,813,094</u>	<u>\$ 26,171,966</u>
<u>Service revenue</u>				
Investors that have significant influence over the Group	\$ 705	\$ 2,486	\$ 771	\$ 7,392
<u>Other operating revenue</u>				
Investors that have significant influence over the Group	\$ 681	\$ 5,335	\$ 6,561	\$ 8,125
Others	<u>12,293</u>	<u>5,653</u>	<u>25,234</u>	<u>15,967</u>
	<u>\$ 12,974</u>	<u>\$ 10,988</u>	<u>\$ 31,795</u>	<u>\$ 24,092</u>

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Operating cost - purchase</u>				
Investors that have significant influence over the Group	\$ 6,671,188	\$ 6,436,452	\$ 22,230,591	\$ 21,613,807
Others	<u>16,510</u>	<u>8,338</u>	<u>87,661</u>	<u>29,618</u>
	<u>\$ 6,687,698</u>	<u>\$ 6,444,790</u>	<u>\$ 22,318,252</u>	<u>\$ 21,643,425</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Operating cost - TCA</u>				
Investors that have significant influence over the Group	\$ 132,808	\$ 118,383	\$ 433,031	\$ 398,018
Others	<u>3,787</u>	<u>1,884</u>	<u>11,577</u>	<u>16,638</u>
	<u>\$ 136,595</u>	<u>\$ 120,267</u>	<u>\$ 444,608</u>	<u>\$ 414,656</u>

Operating expense - rental

Investors that have significant influence over the Group	\$ 3,912	\$ 1,618	\$ 11,004	\$ 9,998
Others	<u>2,860</u>	<u>3,244</u>	<u>8,638</u>	<u>9,373</u>
	<u>\$ 6,772</u>	<u>\$ 4,862</u>	<u>\$ 19,642</u>	<u>\$ 19,371</u>

The Company's TCA is the payment to investors with significant influence over the Group, with whom the Company has technical cooperation agreements.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Selling and marketing expenses</u>				
Investors that have significant influence over the Group	\$ 4,793	\$ 4,510	\$ 10,071	\$ 13,746
Others	<u>376,899</u>	<u>365,370</u>	<u>1,350,977</u>	<u>1,181,515</u>
	<u>\$ 381,692</u>	<u>\$ 369,880</u>	<u>\$ 1,361,048</u>	<u>\$ 1,195,261</u>
<u>General and administrative expenses</u>				
Investors that have significant influence over the Group	\$ 9,835	\$ 2,439	\$ 15,047	\$ 7,748
Others	<u>44,650</u>	<u>42,303</u>	<u>135,419</u>	<u>138,471</u>
	<u>\$ 54,485</u>	<u>\$ 44,742</u>	<u>\$ 150,466</u>	<u>\$ 146,219</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Research and development expenses</u>				
Investors that have significant influence over the Group	\$ 7,279	\$ 5,586	\$ 17,086	\$ 37,493
Others	<u>3,172</u>	<u>5,599</u>	<u>16,881</u>	<u>18,167</u>
	<u>\$ 10,451</u>	<u>\$ 11,185</u>	<u>\$ 33,967</u>	<u>\$ 55,660</u>

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

General and administrative expenses are payments to other parties for consulting, labor dispatch and IT services.

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

The Company purchased property, plant and equipment from related parties were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Others	<u>\$ 995</u>	<u>\$ 55,277</u>	<u>\$ 5,957</u>	<u>\$ 167,335</u>

2) Non-operating transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Other revenue</u>				
Investors that have significant influence over the Group	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 33</u>
<u>Overseas business expenses</u>				
Others	<u>\$ 957</u>	<u>\$ 1,290</u>	<u>\$ 3,241</u>	<u>\$ 3,730</u>
<u>Other losses</u>				
Investors that have significant influence over the Group	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 176</u>	<u>\$ 182</u>

3) Receivables from related parties

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Notes receivable</u>			
Others	\$ <u>3,101</u>	\$ <u>6,139</u>	\$ <u>2,562</u>
<u>Trade receivables</u>			
Investors that have significant influence over the Group	\$ 146,248	\$ 22,636	\$ 58,880
Others	<u>728,202</u>	<u>456,349</u>	<u>392,372</u>
	<u>\$ 874,450</u>	<u>\$ 478,985</u>	<u>\$ 451,252</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Note payable</u>			
Investors that have significant influence over the Group	\$ <u>2,822</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Trade payables</u>			
Investors that have significant influence over the Group	\$ 942,861	\$ 669,569	\$ 1,092,821
Others	<u>188,188</u>	<u>508,621</u>	<u>356,771</u>
	<u>\$ 1,131,049</u>	<u>\$ 1,178,190</u>	<u>\$ 1,449,592</u>

The outstanding trade payables from related parties are unsecured.

5) Refundable deposits

	September 30, 2016	December 31, 2015	September 30, 2015
Investors that have significant influence over the Group	\$ 373,496	\$ 373,496	\$ 373,496
Others	<u>-</u>	<u>7,601</u>	<u>7,601</u>
	<u>\$ 373,496</u>	<u>\$ 381,097</u>	<u>\$ 381,097</u>

6) Prepayments

	September 30, 2016	December 31, 2015	September 30, 2015
Others	\$ 43,650	\$ -	\$ 43,650
Investors that have significant influence over the Group	<u>12,876</u>	<u>9,089</u>	<u>-</u>
	<u>\$ 56,526</u>	<u>\$ 9,089</u>	<u>\$ 43,650</u>

Prepayments are mainly to other parties for consulting, labor dispatch and IT services.

7) Deferred revenue

	September 30, 2016	December 31, 2015	September 30, 2015
Others	<u>\$ 15,833</u>	<u>\$ -</u>	<u>\$ -</u>

The Company designs and develops car models for other related parties, and according to the related contracts to receive payments in advance.

c. Compensation of key management personnel:

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term employee benefit	\$ 8,032	\$ 11,252	\$ 30,358	\$ 36,942
Post-employment benefit	<u>223</u>	<u>645</u>	<u>1,522</u>	<u>1,804</u>
	<u>\$ 8,255</u>	<u>\$ 11,897</u>	<u>\$ 31,880</u>	<u>\$ 38,746</u>

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

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to \$1,428,169 thousand and \$1,497,427 thousand for the nine months ended September 30, 2016 and 2015, 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 expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$765 thousand and \$840 thousand for the nine months ended September 30, 2016 and 2015, respectively.

- 2) The Company signed molds contracts with Diamond Leasing Service Co., Ltd.

The molds contracts are valid from the date of the contract to the end of production of the car model. The Company re-signed the molds contracts 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), and the installment payments will be disbursed according to the progress under the contract schedule. As of September 30, 2016, the Company had already paid \$1,021,491 thousand (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

30. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2016 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 September 30, 2016, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	September 30, 2016	December 31, 2015	September 30, 2015
Acquisition of property, plant, and equipment	\$ 6,117	\$ 2,051	\$ 4,138
Acquisition of computer software	<u>8,346</u>	<u>3,923</u>	<u>1,731</u>
	<u>\$ 14,463</u>	<u>\$ 5,974</u>	<u>\$ 5,869</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,438,503	0.1497 (RMB:USD)	\$ 6,753,196
USD	60,986	31.36 (USD:NTD)	1,912,488
JPY	150,744	0.3109 (JPY:NTD)	46,866
RMB	744	4.6930 (RMB:NTD)	<u>3,492</u>
			<u>\$ 8,716,042</u>

Financial liabilities

Monetary items			
JPY	238	0.3109 (JPY:NTD)	<u>\$ 74</u>

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 165,459	32.825 (USD:NTD)	\$ 5,431,168
RMB	325,103	0.1540 (RMB:USD)	1,643,428
RMB	323,840	4.995 (RMB:NTD)	1,617,582
JPY	28,382	0.2727 (JPY:NTD)	<u>7,740</u>
			<u>\$ 8,699,918</u>

Financial liabilities

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

September 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,333,407	0.1572 (RMB:USD)	\$ 6,889,933
RMB	702,183	5.1760 (RMB:NTD)	3,634,499
USD	3,594	32.870 (USD:NTD)	118,135
JPY	28,260	0.2739 (JPY:NTD)	<u>7,740</u>
			<u>\$ 10,650,307</u>

Financial liabilities

Monetary items			
JPY	900	0.2739 (JPY:NTD)	<u>\$ 247</u>

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

For the Three Months Ended September 30				
2016			2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.7500 (RMB:NTD)	\$ (113)	5.0400 (RMB:NTD)	\$ 99,687
RMB	0.1500 (RMB:USD)	(48,759)	0.1596 (RMB:USD)	(363,779)
USD	31.717 (USD:NTD)	(179,863)	31.975 (USD:NTD)	11,580
JPY	0.3096 (JPY:NTD)	<u>(1,072)</u>	0.2618 (JPY:NTD)	<u>(4,619)</u>
		<u>\$ (229,807)</u>		<u>\$ (257,131)</u>

For the Nine Months Ended September 30				
2016			2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.9180 (RMB:NTD)	\$ 10,013	5.0190 (RMB:NTD)	\$ (177,397)
RMB	0.1521 (RMB:USD)	(197,219)	0.1620 (RMB:USD)	(355,224)
USD	32.428 (USD:NTD)	(292,325)	31.444 (USD:NTD)	7,123
JPY	0.2991 (JPY:NTD)	<u>(8,128)</u>	0.2603 (JPY:NTD)	<u>227</u>
		<u>\$ (487,659)</u>		<u>\$ (525,271)</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, associates and joint controlled entities): Table 1 (attached)
 - 4) Marketable securities acquired and disposed at cost or prices at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached)
 - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 9) Trading in derivative instruments: None
 - 10) Information on investees: Table 5 (attached)
 - 11) Intercompany relationships and significant intercompany transactions: Table 6 (attached)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

33. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segment:

	Revenue		Profit Before Tax	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Vehicle segment	\$ 24,270,974	\$ 23,853,158	\$ 1,016,723	\$ 944,699
Part segment	2,947,354	2,704,098	464,321	458,430
Investment segment	-	-	3,437,080	3,166,139
Other segment	<u>37,673</u>	<u>36,373</u>	<u>(441,737)</u>	<u>(411,278)</u>
	<u>\$ 27,256,001</u>	<u>\$ 26,593,629</u>	4,476,387	4,157,990
Loss on disposal of property, plant and equipment, net			(88)	(1,231)
Interest income			84,119	306,855
Gain on fair value changes of financial assets at fair value through profit or loss			3,199	14,626
Foreign exchange loss, net			(487,659)	(525,271)
Interest expense			(26,098)	(27,347)
(Loss) gain on disposal of investment, net			(11,492)	890
Central administration cost			<u>(11,700)</u>	<u>(11,700)</u>
Profit before tax			<u>\$ 4,026,668</u>	<u>\$ 3,914,812</u>

Segment revenues reported above represents revenues generated from external customers. There were no inter-segment sales for the nine months ended September 30, 2016 and 2015.

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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Segment assets</u>			
Continuing operations			
Vehicle segment	\$ 1,447,854	\$ 1,842,403	\$ 1,777,152
Part segment	47,725	42,194	40,321
Investment segment	13,343,838	16,353,618	15,619,185
Other segment	<u>45,959</u>	<u>36,516</u>	<u>41,619</u>
	14,885,376	18,274,731	17,478,277
Unallocated assets	<u>14,550,384</u>	<u>12,904,304</u>	<u>14,521,389</u>
Consolidated total assets	<u>\$ 29,435,760</u>	<u>\$ 31,179,035</u>	<u>\$ 31,999,666</u>

TABLE 1

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	September 30, 2016				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>							
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	33,137	\$ 501,582	-	\$ 501,582	
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss	24,249	300,920	-	300,920	
	Taishin 1699 Money Market	-	Financial assets at fair value through profit or loss	22,452	300,633	-	300,633	
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	24,234	300,527	-	300,527	
	Taishin Lucky Money Market Fund	-	Financial assets at fair value through profit or loss	18,152	200,027	-	200,027	
	Prudential Financial Money Market	-	Financial assets at fair value through profit or loss	9,654	151,088	-	151,088	
	FSITC Money Market	-	Financial assets at fair value through profit or loss	568	100,308	-	100,308	
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	8,461	100,290	-	100,290	
	Capital Money Market	-	Financial assets at fair value through profit or loss	6,274	100,202	-	100,202	
	Yuanta USD Money Market	-	Financial assets at fair value through profit or loss	10,000	95,431	-	95,431	
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	7,964	81,431	-	81,431	
	Yuanta Emerging Indonesia Opp Bd	-	Financial assets at fair value through profit or loss	4,189	47,807	-	47,807	
	Nomura Global Short Duration Bond Fund	-	Financial assets at fair value through profit or loss	3,936	40,166	-	40,166	
	PineBridge Em Mkt AsiaPac Strat Bd	-	Financial assets at fair value through profit or loss	2,713	31,014	-	31,014	
	Fuh Hwa Global Fixed Inc FoFs	-	Financial assets at fair value through profit or loss	1,347	20,525	-	20,525	
	Fuh Hwa Global Bond	-	Financial assets at fair value through profit or loss	1,410	19,899	-	19,899	
	Yuanta As Pac (ex-Jap) Inv Gr Gv Bd	-	Financial assets at fair value through profit or loss	2,118	19,754	-	19,754	
	Reliance Wealth Bond	-	Financial assets at fair value through profit or loss	1,755	19,727	-	19,727	
	Allianz Global Investors Glb Biotech	-	Financial assets at fair value through profit or loss	536	17,708	-	17,708	
	Nomura Global Equity	-	Financial assets at fair value through profit or loss	800	10,456	-	10,456	
	Capital China New Opportunities	-	Financial assets at fair value through profit or loss	482	4,109	-	4,109	
	Yuanta Multi-Strategy Futures Trust Fund	-	Financial assets at fair value through profit or loss	222	2,700	-	2,700	

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 September 30, 2016.

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 NINE MONTHS ENDED SEPTEMBER 30, 2016
(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	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note)
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>													
	Yuanta RMB Money Market TWD	Financial assets at fair value through profit or loss	-	-	27,794	\$ 300,000	-	\$ -	27,794	\$ 300,226	\$ 300,000	\$ 266	-	\$ -
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	22,452	300,000	-	-	-	-	22,452	300,000
	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	13,274	200,000	19,863	300,000	-	-	-	-	33,137	500,000
	Nomura Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	12,412	200,000	12,407	200,000	24,819	400,478	400,000	478	-	-
	Paradigm Pion Money Market	Financial assets at fair value through profit or loss	-	-	-	-	26,263	300,000	26,263	300,328	300,000	328	-	-

Note: Shown at their original investment amount.

TABLE 3**YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNT TO AT LEASE NT\$100 MILLION OR 20% OF PAID-IN CAPITAL****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable (Note 2)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 3)	
Yulon Nissan Motor Company, Ltd.	Yulon	Equity-method investor of the Company	Purchase	\$ 22,159,361	99	4 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (743,388)	(60)	-
	Taiwan Acceptance Corporation Yuan Lon Motor Co., Ltd.	Subsidiary of Yulon	Sale	24,189,827	89	Same as above	-	-	564,290	70	-
		Substantial related party of Yulon	Sale	345,714	1	14 days after sales for parts Immediate payment for vehicles	-	-	11,884	1	-
		Subsidiary of Yulon	Sale	311,076	1	14 days after sales for parts	-	-	9,576	1	-
	Yu Chang Motor Co., Ltd. Yu Sing Motor Co., Ltd. Hui-Lian Motor Co., Ltd. Chen Long Co., Ltd.	Subsidiary of Yulon	Sale	282,294	1	Same as above	-	-	7,460	1	-
		Substantial related party of Yulon	Sale	270,864	1	Same as above	-	-	-	-	-
		Substantial related party of Yulon	Sale	253,187	1	14 days after sales for parts Immediate payment for vehicles	-	-	4,919	1	-
		Substantial related party of Yulon	Sale	237,616	1	14 days after sales for parts	-	-	6,392	1	-
	Yu Tang Motor Co., Ltd. Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	237,281	1	14 days after sales for parts Immediate payment for vehicles	-	-	8,175	1	-
		Subsidiary of Yulon	Sale	188,415	1	Same as above	-	-	8,086	1	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale								

Note 1: Transaction terms are based on agreements.

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

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

TABLE 4

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

TRADE RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
SEPTEMBER 30, 2016
(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	\$ 564,290	76.61	\$ -	-	\$ 549,430	\$ -

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 NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2016			Net Income of the Investee	Investment Gain	Note
				September 30, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	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	\$ 20,187,598	\$ 3,274,287	\$ 3,274,287	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 643,529	US\$ 100,971	US\$ 100,971	Notes 1 and 2

Note 1: The carrying amount and related shares of profit of the equity investment were calculated based on the reviewed financial statements of investee company and percentage of ownership.

Note 2: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	a	Notes and accounts receivable - related parties	\$ 5,549	-	-
				Deduction of general and administrative expense	15,289	-	-

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

**INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2016	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2016	Accumulated Repatriation of Investment Income as of September 30, 2016
					Outward	Inward						
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	\$ 1,681,990 (US\$ 51,868)	\$ 268,228 (US\$ 8,271)	\$ 1,867,816 (US\$ 59,560)	\$ 2,157,064 (US\$ 67,080)
Aeolus Automobile Co., Ltd.	Consulting	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	4,734 (US\$ 146)	1,568 (US\$ 48)	745,988 (US\$ 23,788)	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	7,842,773 (US\$ 241,851)	3,137,109 (US\$ 96,741)	10,115,663 (US\$ 322,566)	15,294,620 (US\$ 490,523)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00	88,494 (US\$ 2,729)	39,823 (US\$ 1,228)	614,371 (US\$ 19,591)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	Valuation, purchase, renovation, rent, selling of used cars and training	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00	1,396 (US\$ 43)	684 (US\$ 21)	(15,505) (US\$ -494)	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2016	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)	\$12,168,114

- Note 1: The Company indirectly owns these investees through Jet Ford, Inc., an investment company registered in a third region.
- Note 2: The carrying values and related investment income of the equity investment were calculated based on the reviewed financial statements of investee company and percentage of ownership.
- Note 3: The upper limit was calculated in accordance with the “Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission under the Ministry of Economic Affairs on August 22, 2008.
- Note 4: The Company’s share of losses exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.