

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

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

YULON NISSAN MOTOR COMPANY, LTD.

By

CHEN-LI- LIAN YEN
Chairman of the Board

March 14, 2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Yulon Nissan Motor Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

Depreciation of Molds and Dies

In accordance with IAS 16 "Property, Plant and Equipment", the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The Group depreciates molds and dies using the unit production method, and reviews the estimated number of vehicles that are expected to be sold in the future for each vehicle model every six months based on market sales. The estimated number of vehicles to be sold is then used to calculate the amount allocated to each mold and die, and is used as the basis for the depreciation of molds and dies. The depreciation of molds and dies in 2022 was \$505,100 thousand. Since the amount of depreciation of molds and dies is significant and estimates of the units sold are highly dependent on management's judgment. Therefore, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policies and critical accounting judgments are disclosed in Notes 4 and 5 to the consolidated financial statements, respectively; the related amounts are disclosed in Note 13 to the consolidated financial statements.

We understood the Company's depreciation process of molds and dies and related control systems, evaluated the design of the controls and tested the operating effectiveness of the controls. We also obtained the information and documents from management which is used as the basis for the estimated number of units of vehicles of each model to be sold in the future and assessed the rationality and reliability of the supporting information. In addition, we took appropriate samples of the transactions of molds and dies and checked them against the original documents and cash flows, performed inventory counts and sent confirmation requests. We also recalculated the amount of depreciation of molds and dies on the basis of estimated production volume and assessed the rationality of the calculated depreciation and the accuracy of the carrying amount of the molds and dies. Moreover, we determined that there was no significant difference between the amended estimated number of units of future sales of vehicles in the previous year's consolidated financial statements and the actual number of units sold, and confirmed the appropriateness of management's estimation.

Other Matter

We have also audited the parent company only financial statements of Yulon Nissan Motor Company, Ltd., as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Jui-Chuan Chih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

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

| ASSETS | 2022 | | 2021 | |
|--|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 2,613,339 | 11 | \$ 4,044,196 | 16 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 2,342,779 | 10 | 547,289 | 2 |
| Notes receivable (Notes 4, 9 and 22) | 930 | - | 235 | - |
| Notes receivable - related parties (Notes 4, 22 and 29) | - | - | 21 | - |
| Trade receivables (Notes 4, 9 and 22) | 23,800 | - | 23,567 | - |
| Trade receivables - related parties (Notes 4, 22 and 29) | 356,964 | 2 | 287,324 | 1 |
| Other receivables (Notes 4 and 9) | 11,846 | - | 46,275 | - |
| Other receivables - related parties (Notes 4 and 29) | 110,585 | - | 146,968 | 1 |
| Prepayments | 83,229 | - | 107,927 | 1 |
| Total current assets | 5,543,472 | 23 | 5,203,802 | 21 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at amortized cost (Notes 4, 8 and 30) | 2,120 | - | - | - |
| Investments accounted for using the equity method (Notes 4 and 12) | 16,533,811 | 67 | 16,424,660 | 67 |
| Property, plant and equipment (Notes 4, 5, 13 and 29) | 1,231,620 | 5 | 1,715,905 | 7 |
| Right-of-use assets (Notes 4, 14 and 29) | 652,564 | 3 | 687,034 | 3 |
| Computer software (Notes 4 and 15) | 53,953 | - | 22,757 | - |
| Deferred tax assets (Notes 4 and 24) | 60,158 | - | 80,155 | - |
| Other non-current assets (Notes 16 and 29) | 433,168 | 2 | 519,162 | 2 |
| Total non-current assets | 18,967,394 | 77 | 19,449,673 | 79 |
| TOTAL | \$ 24,510,866 | 100 | \$ 24,653,475 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities (Notes 22 and 29) | \$ 70,028 | - | \$ - | - |
| Trade payables | 71,858 | 1 | 15,961 | - |
| Trade payables - related parties (Note 29) | 441,956 | 2 | 300,085 | 1 |
| Other payables (Note 17) | 780,435 | 3 | 870,903 | 3 |
| Other payables - related parties (Note 29) | 141,440 | 1 | 226,817 | 1 |
| Current tax liabilities (Notes 4 and 24) | 516,410 | 2 | 631,800 | 3 |
| Provisions (Notes 4, 5 and 18) | 208,904 | 1 | 219,190 | 1 |
| Lease liabilities (Notes 4, 14 and 29) | 53,434 | - | 51,666 | - |
| Other current liabilities (Note 19) | 6,995 | - | 5,509 | - |
| Total current liabilities | 2,291,460 | 10 | 2,321,931 | 9 |
| NON-CURRENT LIABILITIES | | | | |
| Provisions (Notes 4, 5 and 18) | 58,191 | - | 63,542 | - |
| Tax liabilities - non-current (Notes 4 and 24) | - | - | 117,017 | 1 |
| Deferred tax liabilities (Notes 4 and 24) | 2,303,706 | 9 | 2,425,443 | 10 |
| Lease liabilities (Notes 4, 14 and 29) | 604,590 | 3 | 637,348 | 3 |
| Net defined benefit liabilities (Notes 4 and 20) | 31,429 | - | 87,486 | - |
| Total non-current liabilities | 2,997,916 | 12 | 3,330,836 | 14 |
| Total liabilities | 5,289,376 | 22 | 5,652,767 | 23 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Capital stock - NT\$10 par value; authorized 600,000 thousand stocks; issued and outstanding 300,000 thousand stocks | 3,000,000 | 12 | 3,000,000 | 12 |
| Capital surplus | 5,988,968 | 24 | 5,988,968 | 24 |
| Retained earnings | | | | |
| Legal reserve | 7,151,689 | 29 | 6,848,964 | 28 |
| Special reserve | 1,470,531 | 6 | 1,328,436 | 5 |
| Unappropriated earnings | 2,586,013 | 11 | 3,304,871 | 14 |
| Total retained earnings | 11,208,233 | 46 | 11,482,271 | 47 |
| Other equity | (975,711) | (4) | (1,470,531) | (6) |
| Total equity | 19,221,490 | 78 | 19,000,708 | 77 |
| TOTAL | \$ 24,510,866 | 100 | \$ 24,653,475 | 100 |

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 22 and 29) | | | | |
| Sales (Note 4) | \$ 23,206,378 | 98 | \$ 24,489,014 | 99 |
| Service revenue (Note 4) | 294,470 | 1 | 61,075 | - |
| Other operating revenue | <u>106,343</u> | <u>1</u> | <u>118,295</u> | <u>1</u> |
| Total operating revenue | 23,607,191 | 100 | 24,668,384 | 100 |
| OPERATING COSTS (Notes 10, 23 and 29) | <u>20,666,547</u> | <u>87</u> | <u>21,854,727</u> | <u>89</u> |
| GROSS PROFIT | <u>2,940,644</u> | <u>13</u> | <u>2,813,657</u> | <u>11</u> |
| OPERATING EXPENSES (Notes 23 and 29) | | | | |
| Selling and marketing expenses | 1,765,856 | 8 | 1,716,888 | 7 |
| General and administrative expenses | 520,063 | 2 | 554,700 | 2 |
| Research and development expenses | <u>537,954</u> | <u>2</u> | <u>419,245</u> | <u>2</u> |
| Total operating expenses | <u>2,823,873</u> | <u>12</u> | <u>2,690,833</u> | <u>11</u> |
| OTHER OPERATING INCOME AND EXPENSES (Notes 23 and 29) | <u>(2,811)</u> | <u>-</u> | <u>170</u> | <u>-</u> |
| PROFIT FROM OPERATIONS | <u>113,960</u> | <u>1</u> | <u>122,994</u> | <u>-</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Share of profit of associates | 3,052,224 | 13 | 3,668,664 | 15 |
| Net foreign exchange loss (Note 23) | (151,623) | (1) | (32,585) | - |
| Interest income (Note 4) | 52,217 | - | 53,509 | - |
| (Loss) gain on fair value changes of financial assets at fair value through profit or loss, net | (16,576) | - | 34,789 | - |
| Other revenue (Note 29) | 3,696 | - | 2,089 | - |
| Interest expenses (Note 29) | (9,662) | - | (15,096) | - |
| Overseas business expenses (Note 29) | (7,913) | - | (7,649) | - |
| Loss on disposal of investments, net (Note 23) | (8,806) | - | (23,904) | - |
| Other losses | <u>(1,890)</u> | <u>-</u> | <u>(2,189)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>2,911,667</u> | <u>12</u> | <u>3,677,628</u> | <u>15</u> |
| PROFIT BEFORE INCOME TAX | 3,025,627 | 13 | 3,800,622 | 15 |
| INCOME TAX EXPENSES (Notes 4 and 24) | <u>615,046</u> | <u>3</u> | <u>774,629</u> | <u>3</u> |
| NET PROFIT FOR THE YEAR | <u>2,410,581</u> | <u>10</u> | <u>3,025,993</u> | <u>12</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | <u>2022</u> | | <u>2021</u> | |
|--|---------------------|-----------|---------------------|-----------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 20) | \$ 41,691 | - | \$ 1,574 | - |
| Share of other comprehensive loss of associates accounted for using the equity method (Note 12) | 35 | - | - | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 24) | (8,345) | - | (315) | - |
| | <u>33,381</u> | <u>-</u> | <u>1,259</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on the translation of foreign operations | <u>494,820</u> | <u>2</u> | <u>(142,095)</u> | <u>-</u> |
| Other comprehensive loss for the year, net of income tax | <u>528,201</u> | <u>2</u> | <u>(140,836)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 2,938,782</u> | <u>12</u> | <u>\$ 2,885,157</u> | <u>12</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | <u>\$ 2,410,581</u> | <u>10</u> | <u>\$ 3,025,993</u> | <u>12</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | <u>\$ 2,938,782</u> | <u>12</u> | <u>\$ 2,885,157</u> | <u>12</u> |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic | <u>\$8.04</u> | | <u>\$10.09</u> | |
| Diluted | <u>\$8.03</u> | | <u>\$10.09</u> | |

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

| | Capital Stock | Capital Surplus (Note 21) | Retained Earnings (Note 21) | | | Other Equity Exchange Differences on the Translation of Foreign Operations | Total Equity |
|---|---------------------|------------------------------|-----------------------------|---------------------|----------------------------|--|----------------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | |
| BALANCE AT JANUARY 1, 2021 | <u>\$ 3,000,000</u> | <u>\$ 5,988,968</u> | <u>\$ 6,194,981</u> | <u>\$ 1,270,832</u> | <u>\$ 6,548,206</u> | <u>\$ (1,328,436)</u> | <u>\$ 21,674,551</u> |
| Appropriation of 2020 earnings | | | | | | | |
| Legal reserve | - | - | 653,983 | - | (653,983) | - | - |
| Special reserve | - | - | - | 57,604 | (57,604) | - | - |
| Cash dividends distributed by the Company - NT\$18.53 per share | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,559,000)</u> | <u>-</u> | <u>(5,559,000)</u> |
| | <u>-</u> | <u>-</u> | <u>653,983</u> | <u>57,604</u> | <u>(6,270,587)</u> | <u>-</u> | <u>(5,559,000)</u> |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 3,025,993 | - | 3,025,993 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,259</u> | <u>(142,095)</u> | <u>(140,836)</u> |
| Total comprehensive income (loss) for the year ended December 31, 2021 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,027,252</u> | <u>(142,095)</u> | <u>2,885,157</u> |
| BALANCE AT DECEMBER 31, 2021 | <u>3,000,000</u> | <u>5,988,968</u> | <u>6,848,964</u> | <u>1,328,436</u> | <u>3,304,871</u> | <u>(1,470,531)</u> | <u>19,000,708</u> |
| Appropriation of 2021 earnings | | | | | | | |
| Legal reserve | - | - | 302,725 | - | (302,725) | - | - |
| Special reserve | - | - | - | 142,095 | (142,095) | - | - |
| Cash dividends distributed by the Company - NT\$9.06 per share | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,718,000)</u> | <u>-</u> | <u>(2,718,000)</u> |
| | <u>-</u> | <u>-</u> | <u>302,725</u> | <u>142,095</u> | <u>(3,162,820)</u> | <u>-</u> | <u>(2,718,000)</u> |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 2,410,581 | - | 2,410,581 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,381</u> | <u>494,820</u> | <u>528,201</u> |
| Total comprehensive income (loss) for the year ended December 31, 2022 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,443,962</u> | <u>494,820</u> | <u>2,938,782</u> |
| BALANCE AT DECEMBER 31, 2022 | <u>\$ 3,000,000</u> | <u>\$ 5,988,968</u> | <u>\$ 7,151,689</u> | <u>\$ 1,470,531</u> | <u>\$ 2,586,013</u> | <u>\$ (975,711)</u> | <u>\$ 19,221,490</u> |

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 3,025,627 | \$ 3,800,622 |
| Adjustments for: | | |
| Depreciation expenses | 599,588 | 670,001 |
| Amortization expenses | 8,454 | 21,616 |
| Loss (gain) on fair value changes of financial assets at fair value through profit or loss, net | 16,576 | (34,789) |
| Interest expense | 9,662 | 15,096 |
| Interest income | (52,217) | (53,509) |
| Share of profit of associates | (3,052,224) | (3,668,664) |
| Loss (gain) on disposal of property, plant and equipment, net | 2,811 | (170) |
| Loss on disposal of investment, net | 8,806 | 23,904 |
| Net foreign exchange loss | 365,599 | 427,543 |
| (Reversal) recognition of inventory purchase commitments | (3,528) | 2,408 |
| Warranty costs | 136,926 | 149,709 |
| Net changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | (1,820,872) | 90,110 |
| Notes receivable | (695) | 1,699 |
| Notes receivable - related parties | 21 | 558 |
| Trade receivables | (233) | (11,148) |
| Trade receivables - related parties | (69,634) | 102,074 |
| Other receivables | 36,629 | (6,273) |
| Other receivables - related parties | 36,383 | (23,330) |
| Prepayments | 1,113 | (4,647) |
| Increase in other financial assets | (2,120) | - |
| Contract liabilities | 70,028 | - |
| Trade payables | 55,897 | (802) |
| Trade payables - related parties | 141,871 | 125,141 |
| Other payables | (13,411) | 6,025 |
| Other payables - related parties | (82,213) | 104,344 |
| Other current liabilities | 1,486 | 1,145 |
| Provisions | (149,035) | (159,697) |
| Net defined benefit liabilities | (14,366) | (47,736) |
| Cash generated from operations | (743,071) | 1,531,230 |
| Interest paid | (9,662) | (15,096) |
| Income tax paid | (1,286,119) | (1,666,623) |
| Net cash used in operating activities | (2,038,852) | (150,489) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received | 3,280,588 | 3,244,238 |
| Interest received | 50,017 | 53,716 |
| Payments for property, plant and equipment (Note 26) | (204,251) | (393,918) |
| | | (Continued) |

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Proceeds from disposal of property, plant and equipment | \$ 997 | \$ 602 |
| Decrease in refundable deposits | 150,267 | 48,282 |
| Payments for computer software | <u>(39,650)</u> | <u>(4,491)</u> |
| Net cash generated from investing activities | <u>3,237,968</u> | <u>2,948,429</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of the principal portion of lease liabilities | (55,870) | (54,251) |
| Payments of dividends | <u>(2,718,000)</u> | <u>(5,559,000)</u> |
| Cash used in financing activities | <u>(2,773,870)</u> | <u>(5,613,251)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>143,897</u> | <u>(107,531)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,430,857) | (2,922,842) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>4,044,196</u> | <u>6,967,038</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 2,613,339</u> | <u>\$ 4,044,196</u> |

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 14, 2023.

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

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

| New IFRSs | Effective Date Announced by IASB |
|---|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 |

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 1) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 2) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3) |

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

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

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

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

See Note 11 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

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

When preparing the consolidated financial statements, the financial statements of the Group's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities - period-end rates; profit and loss - average rates for the period; equity - historical rate. Any exchange differences are recognized in other comprehensive income.

Inventories

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

Investment in Associates

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

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

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

Investments accounted for using 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Other than molds and dies, which are depreciated on the basis of the estimated number of vehicles to be sold in the future, other items of property, plant and equipment are depreciated using the straight-line method. The estimated useful lives, residual values and depreciation method of assets are reviewed at the end of each year, and the estimated sales volume is reviewed every six months, with the effect of any changes in estimate accounted for on a prospective basis.

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

Computer Software

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

Impairment of Property, Plant and Equipment, Right-of-use Assets, and Computer Software

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

Financial Instruments

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

Financial assets

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

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

1) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.

2) Financial assets at amortized cost

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

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

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

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

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

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

b. Impairment of financial assets

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

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

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

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

c. Derecognition of financial assets

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

Provisions

a. Inventory purchase commitments

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

b. Warranties

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

Revenue Recognition

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

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of vehicles and parts. Revenue from the sale of goods is recognized when the goods are delivered and legal ownership of the goods has been transferred to the customer.

b. Revenue from the rendering of services

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

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments.

The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the stockholders approve to retain earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Property, plant and equipment - allocation of depreciation of molds and dies

The Group depreciates molds and dies on the basis of the unit production method and reviews the estimated number of vehicles that are expected to be sold in the future for each vehicle model every six months based on market sales. The estimated number of vehicles to be sold is then used to calculate the amount allocated to each mold and die, and is used as the basis for the depreciation of molds and dies.

b. Provisions for the expected cost of warranties

The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and the estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2022 and 2021, the carrying amounts of provisions for warranties were \$148,479 thousand and \$160,588 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Checking accounts and demand deposits | \$ 480,148 | \$ 500,672 |
| Foreign currency demand deposits | 56,145 | 463,935 |
| Cash equivalents | | |
| Foreign currency time deposits | 1,288,865 | 2,760,085 |
| Time deposits | 342,840 | 6,991 |
| Repurchase agreements collateralized by bonds | <u>445,341</u> | <u>312,513</u> |
| | <u>\$ 2,613,339</u> | <u>\$ 4,044,196</u> |

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

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

| | December 31 | |
|---|--------------------|-------------|
| | 2022 | 2021 |
| Demand deposits and time deposits | 0.001%-4.50% | 0.01%-2.70% |
| Repurchase agreements collateralized by bonds | 3.80%-4.35% | 1.00% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|--|---------------------|-------------------|
| | 2022 | 2021 |
| <u>Financial assets mandatorily classified as at FVTPL</u> | | |
| Non-derivative financial assets | | |
| Mutual funds | \$ <u>2,342,779</u> | \$ <u>547,289</u> |

8. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|-------------------------|-----------------|-------------|
| | 2022 | 2021 |
| <u>Non-current</u> | | |
| Time deposit-restricted | \$ <u>2,120</u> | \$ <u>-</u> |

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|----------------------|------------------|------------------|
| | 2022 | 2021 |
| Notes receivable | | |
| At amortized cost | \$ <u>930</u> | \$ <u>235</u> |
| Trade receivables | | |
| At amortized cost | \$ <u>23,800</u> | \$ <u>23,567</u> |
| Other receivables | | |
| Interest receivables | \$ 5,542 | \$ 3,342 |
| Others | <u>6,304</u> | <u>42,933</u> |
| | \$ <u>11,846</u> | \$ <u>46,275</u> |

a. Notes receivable

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

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

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

December 31, 2022

| | Not Past Due | Up to 60 Days | 61 to 120 Days | 121 to 180 Days | Over 180 Days | Total |
|----------------------------------|---------------|------------------|-------------------|--------------------|------------------|---------------|
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | \$ 930 | \$ - | \$ - | \$ - | \$ - | \$ 930 |
| Loss allowance (Lifetime ECL) | - | - | - | - | - | - |
| Amortized cost | <u>\$ 930</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 930</u> |

December 31, 2021

| | Not Past Due | Up to 60 Days | 61 to 120 Days | 121 to 180 Days | Over 180 Days | Total |
|----------------------------------|---------------|------------------|-------------------|--------------------|------------------|---------------|
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | \$ 235 | \$ - | \$ - | \$ - | \$ - | \$ 235 |
| Loss allowance (Lifetime ECL) | - | - | - | - | - | - |
| Amortized cost | <u>\$ 235</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 235</u> |

b. Trade receivables

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

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

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

December 31, 2022

| | Not Past Due | Up to 60 Days | 61 to 120 Days | 121 to 180 Days | Over 180 Days | Total |
|----------------------------------|------------------|------------------|-------------------|--------------------|------------------|------------------|
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | \$ 23,800 | \$ - | \$ - | \$ - | \$ - | \$ 23,800 |
| Loss allowance (Lifetime ECL) | - | - | - | - | - | - |
| Amortized cost | <u>\$ 23,800</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,800</u> |

December 31, 2021

| | Not Past Due | Up to 60 Days | 61 to 120 Days | 121 to 180 Days | Over 180 Days | Total |
|----------------------------------|------------------|------------------|-------------------|--------------------|------------------|------------------|
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | \$ 23,567 | \$ - | \$ - | \$ - | \$ - | \$ 23,567 |
| Loss allowance (Lifetime ECL) | - | - | - | - | - | - |
| Amortized cost | <u>\$ 23,567</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,567</u> |

c. Other receivables

When there is objective evidence that other receivables are impaired, the Group assesses impairment loss on other receivables individually.

There were no past due other receivables for which the Group had not recognized an allowance for impairment loss.

10. INVENTORIES

| | <u>December 31</u> | |
|-------|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Parts | <u>\$ -</u> | <u>\$ -</u> |

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2022 was \$20,666,547 thousand, which included warranty costs of \$136,926 thousand and reversal of losses on inventory purchase commitments of \$3,528 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2021 was \$21,854,727 thousand, which included warranty costs of \$149,709 thousand and losses on inventory purchase commitments of \$2,408 thousand.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

| Investor | Investee | Main Business | % of Ownership December 31 | |
|--------------------------------------|--------------------------------------|---------------|-------------------------------|--------|
| | | | 2022 | 2021 |
| Yulon Nissan Motor Company, Ltd | Yi-Jan Overseas Investment Co., Ltd. | Investment | 100.00 | 100.00 |
| Yi-Jan Overseas Investment Co., Ltd. | Jetford Inc. | Investment | 100.00 | 100.00 |

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| <u>Material associate</u> | | |
| Guangzhou Aeolus Automobile Co., Ltd. | \$ 15,234,393 | \$ 15,020,808 |
| <u>Associates that are not individually material</u> | | |
| Aeolus Xiangyang Automobile Co., Ltd. | <u>1,299,418</u> | <u>1,403,852</u> |
| | <u>\$ 16,533,811</u> | <u>\$ 16,424,660</u> |

a. Material associate

| Company Name | Main Business | Location | Proportion of Ownership and Voting Rights December 31 | |
|---------------------------------------|---|--------------------|---|--------|
| | | | 2022 | 2021 |
| Guangzhou Aeolus Automobile Co., Ltd. | Developing and manufacturing of parts and vehicles and related services | Guangdong Province | 42.69% | 42.69% |

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

Guangzhou Aeolus Automobile Co., Ltd.

| | December 31 | |
|---|---------------------------------------|----------------------|
| | 2022 | 2021 |
| Current assets | \$ 7,145,151 | \$ 8,321,087 |
| Non-current assets | 33,929,159 | 36,234,768 |
| Current liabilities | (4,081,361) | (5,318,412) |
| Non-current liabilities | <u>(1,191,856)</u> | <u>(3,948,012)</u> |
| Equity | <u>\$ 35,801,093</u> | <u>\$ 35,289,431</u> |
| Equity attributable to the Group | \$ 15,283,487 | \$ 15,065,058 |
| Deferred gain on disposal of investment | <u>(49,094)</u> | <u>(44,250)</u> |
| Carrying amount | <u>\$ 15,234,393</u> | <u>\$ 15,020,808</u> |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Revenue | <u>\$ 17,352,368</u> | <u>\$ 21,782,544</u> |
| Net profit for the period | <u>\$ 6,502,332</u> | <u>\$ 7,667,065</u> |
| Dividends received from Guangzhou Aeolus Automobile Co., Ltd. | <u>\$ 2,963,821</u> | <u>\$ 2,677,306</u> |

b. Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| The Group's share of: | | |
| Net profit for the period | \$ 276,378 | \$ 395,595 |
| Other comprehensive income | <u>35</u> | <u>-</u> |
| Total comprehensive income for the period | <u>\$ 276,413</u> | <u>\$ 395,595</u> |

c. Other information

The investments accounted for using the equity method and the share of profit of those investments at 2022 and 2021 were based on the associates' financial statements reviewed by the auditors for the same periods.

13. PROPERTY, PLANT AND EQUIPMENT - USED BY THE GROUP

| | Molds | Dies | Computer Equipment | Other Equipment | Transportation Equipment | Machinery and Equipment | Leasehold Improvements | Tools | Total |
|------------------------------|---------------------|-------------------|--------------------|-------------------|--------------------------|-------------------------|------------------------|-----------------|---------------------|
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2021 | \$ 2,927,777 | \$ 640,964 | \$ 67,102 | \$ 250,426 | \$ 10,440 | \$ 3,721 | \$ 23,995 | \$ 8,920 | \$ 3,933,345 |
| Additions | 305,735 | 23,253 | 11,150 | 60,982 | - | - | 909 | 64 | 402,093 |
| Disposals | - | - | (20,638) | (2,639) | (1,911) | (273) | - | (772) | (26,233) |
| Reversal | <u>(3,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,000)</u> |
| Balance at December 31, 2021 | <u>\$ 3,230,512</u> | <u>\$ 664,217</u> | <u>\$ 57,614</u> | <u>\$ 308,769</u> | <u>\$ 8,529</u> | <u>\$ 3,448</u> | <u>\$ 24,904</u> | <u>\$ 8,212</u> | <u>\$ 4,306,205</u> |

(Continued)

| | Molds | Dies | Computer Equipment | Other Equipment | Transportation Equipment | Machinery and Equipment | Leasehold Improvements | Tools | Total |
|--|-----------------------|---------------------|--------------------|---------------------|--------------------------|-------------------------|------------------------|-------------------|-----------------------|
| <u>Accumulated depreciation and impairment</u> | | | | | | | | | |
| Balance at January 1, 2021 | \$ (1,484,104) | \$ (286,073) | \$ (57,851) | \$ (151,825) | \$ (7,628) | \$ (3,595) | \$ (6,589) | \$ (6,202) | \$ (2,003,867) |
| Depreciation expenses | (486,894) | (93,242) | (3,652) | (21,853) | (895) | (34) | (5,226) | (438) | (612,234) |
| Disposals | - | - | 20,475 | 2,639 | 1,642 | 273 | - | 772 | 25,801 |
| Balance at December 31, 2021 | <u>\$ (1,970,998)</u> | <u>\$ (379,315)</u> | <u>\$ (41,028)</u> | <u>\$ (171,039)</u> | <u>\$ (6,881)</u> | <u>\$ (3,356)</u> | <u>\$ (11,815)</u> | <u>\$ (5,868)</u> | <u>\$ (2,590,300)</u> |
| Carrying amount, net, December 31, 2021 | <u>\$ 1,259,514</u> | <u>\$ 284,902</u> | <u>\$ 16,586</u> | <u>\$ 137,730</u> | <u>\$ 1,648</u> | <u>\$ 92</u> | <u>\$ 13,089</u> | <u>\$ 2,344</u> | <u>\$ 1,715,905</u> |
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2022 | \$ 3,230,512 | \$ 664,217 | \$ 57,614 | \$ 308,769 | \$ 8,529 | \$ 3,448 | \$ 24,904 | \$ 8,212 | \$ 4,306,205 |
| Additions | 5,038 | 32,991 | 5,038 | 8,038 | 8,652 | - | - | - | 59,757 |
| Disposals | (7,350) | - | (4,248) | (527) | (2,348) | (1,136) | (680) | - | (16,289) |
| Balance at December 31, 2022 | <u>\$ 3,228,200</u> | <u>\$ 697,208</u> | <u>\$ 58,404</u> | <u>\$ 316,280</u> | <u>\$ 14,833</u> | <u>\$ 2,312</u> | <u>\$ 24,224</u> | <u>\$ 8,212</u> | <u>\$ 4,349,673</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | | |
| Balance at January 1, 2022 | \$ (1,970,998) | \$ (379,315) | \$ (41,028) | \$ (171,039) | \$ (6,881) | \$ (3,356) | \$ (11,815) | \$ (5,868) | \$ (2,590,300) |
| Depreciation expenses | (428,607) | (76,493) | (5,816) | (22,944) | (766) | (34) | (5,128) | (446) | (540,234) |
| Disposals | 3,843 | - | 4,222 | 527 | 2,107 | 1,102 | 680 | - | 12,481 |
| Balance at December 31, 2022 | <u>\$ (2,395,762)</u> | <u>\$ (455,808)</u> | <u>\$ (42,622)</u> | <u>\$ (193,456)</u> | <u>\$ (5,540)</u> | <u>\$ (2,288)</u> | <u>\$ (16,263)</u> | <u>\$ (6,314)</u> | <u>\$ (3,118,053)</u> |
| Carrying amount, net, December 31, 2022 | <u>\$ 832,438</u> | <u>\$ 241,400</u> | <u>\$ 15,782</u> | <u>\$ 122,824</u> | <u>\$ 9,293</u> | <u>\$ 24</u> | <u>\$ 7,961</u> | <u>\$ 1,898</u> | <u>\$ 1,231,620</u> |

(Concluded)

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

No impairment loss or reversal of impairment losses was recognized for the year ended December 31, 2022 and 2021.

Except for molds and dies which are depreciated on the basis of the estimated number of vehicles to be sold, other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>Carrying amount</u> | | |
| Buildings | \$ 643,796 | \$ 671,632 |
| Transportation equipment | <u>8,768</u> | <u>15,402</u> |
| | <u>\$ 652,564</u> | <u>\$ 687,034</u> |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Additions to right-of-use assets | <u>\$ 25,390</u> | <u>\$ 61,665</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 51,495 | \$ 49,108 |
| Transportation equipment | <u>7,859</u> | <u>8,659</u> |
| | <u>\$ 59,354</u> | <u>\$ 57,767</u> |

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021. In addition, the Group early terminated part of the lease contract during the year ended December 31, 2022, which resulted in a decrease of \$506 thousand in right-of-use assets and recognition of a lease modification benefit of \$4 thousand. The Group early terminated part of the lease contract during the year ended December 31, 2021, which resulted in a decrease of \$519 thousand in right-of-use assets and recognition of a lease modification benefit of \$2 thousand.

b. Lease liabilities

| | December 31 | |
|------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Carrying amount</u> | | |
| Current | \$ 53,434 | \$ 51,666 |
| Non-current | <u>\$ 604,590</u> | <u>\$ 637,348</u> |

The discount rates for lease liabilities were as follows:

| | December 31 | |
|--------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Buildings | 0.91% | 0.91% |
| Transportation equipment | 0.91% | 0.91% |

c. Material leasing activities and terms

The Group leases certain cars for the use of its executives with lease terms of 3 to 4 years. The Group does not have bargain purchase options to acquire the leasehold cars at the end of the lease terms.

The Group also leases buildings for the use of plants, offices and dormitory with lease terms of 2 to 18 years. If the lease term is not specified in the lease contract with the related party, lease term is based on the useful lives of the right-of-use assets, please refer to Note 29. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Other lease information

| | <u>For the Year Ended December 31</u> | |
|--|--|--------------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | <u>\$ 3,204</u> | <u>\$ 2,474</u> |
| Total cash outflow for leases | <u>\$ (65,298)</u> | <u>\$ (62,839)</u> |

The Group's leases of certain transportation equipment qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. COMPUTER SOFTWARE

| | Amount |
|--------------------------------------|--------------------|
| <u>Cost</u> | |
| Balance at January 1, 2021 | \$ 79,546 |
| Additions | 4,491 |
| Disposals | <u>(48,615)</u> |
| Balance at December 31, 2021 | <u>\$ 35,422</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2021 | \$ (39,664) |
| Amortization expenses | (21,616) |
| Disposals | <u>48,615</u> |
| Balance at December 31, 2021 | <u>\$ (12,665)</u> |
| Carrying amount at December 31, 2021 | <u>\$ 22,757</u> |
| <u>Cost</u> | |
| Balance at January 1, 2022 | \$ 35,422 |
| Additions | 39,650 |
| Disposals | <u>(8,061)</u> |
| Balance at December 31, 2022 | <u>\$ 67,011</u> |

(Continued)

| | Amount |
|--------------------------------------|---------------------------------|
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2022 | \$ (12,665) |
| Amortization expenses | (8,454) |
| Disposals | <u>8,061</u> |
| Balance at December 31, 2022 | <u>\$ (13,058)</u> |
| Carrying amount at December 31, 2022 | <u>\$ 53,953</u> (Concluded) |

No impairment loss or reversal of impairment losses was recognized for the year ended December 31, 2022 and 2021.

16. OTHER NON-CURRENT ASSETS

| | <u>December 31</u> | |
|-------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Refundable deposits (Note 29) | \$ 367,289 | \$ 517,556 |
| Prepayments for equipment | <u>65,879</u> | <u>1,606</u> |
| | <u>\$ 433,168</u> | <u>\$ 519,162</u> |

17. OTHER PAYABLES

| | <u>December 31</u> | |
|--------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Advertising and promotion fees | \$ 473,016 | \$ 508,639 |
| Salaries and bonuses | 205,796 | 203,638 |
| Purchases of equipment | 9,087 | 86,144 |
| Taxes | 7,253 | 3,842 |
| Others | <u>85,283</u> | <u>68,640</u> |
| | <u>\$ 780,435</u> | <u>\$ 870,903</u> |

18. PROVISIONS

| | <u>December 31</u> | |
|--------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Current | | |
| Inventory purchase commitments | \$ 118,616 | \$ 122,144 |
| Warranties | <u>90,288</u> | <u>97,046</u> |
| | <u>\$ 208,904</u> | <u>\$ 219,190</u> |
| Non-current | | |
| Warranties | <u>\$ 58,191</u> | <u>\$ 63,542</u> |

| | Inventory Purchase Commitments | Warranties | Total |
|---|---|-------------------|-------------------|
| Balance at January 1, 2021 | \$ 119,736 | \$ 170,576 | \$ 290,312 |
| Additional provisions recognized | 2,408 | 149,709 | 152,117 |
| Paid | <u>-</u> | <u>(159,697)</u> | <u>(159,697)</u> |
| Balance at December 31, 2021 | <u>\$ 122,144</u> | <u>\$ 160,588</u> | <u>\$ 282,732</u> |
| Balance at January 1, 2022 | \$ 122,144 | \$ 160,588 | \$ 282,732 |
| Additional provisions recognized (reversed) | (3,528) | 136,926 | 133,398 |
| Paid | <u>-</u> | <u>(149,035)</u> | <u>(149,035)</u> |
| Balance at December 31, 2022 | <u>\$ 118,616</u> | <u>\$ 148,479</u> | <u>\$ 267,095</u> |

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

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

19. OTHER LIABILITIES

| | December 31 | |
|-------------|--------------------|-----------------|
| | 2022 | 2021 |
| Current | | |
| Withholding | \$ 3,217 | \$ 3,164 |
| Others | <u>3,778</u> | <u>2,345</u> |
| | <u>\$ 6,995</u> | <u>\$ 5,509</u> |

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The total expense recognized in profit or loss for the years ended December 31, 2022 and 2021 was \$14,777 thousand and \$15,083 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

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

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Selling and marketing expenses | \$ 7,069 | \$ 7,265 |
| General and administrative expenses | 3,022 | 3,051 |
| Research and development expenses | 4,657 | 4,717 |
| Non-operating expenses | <u>29</u> | <u>50</u> |
| | <u>\$ 14,777</u> | <u>\$ 15,083</u> |

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. as of December 31, 2022; therefore, the subsidiaries had no pension plan for employees.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

| | December 31 | |
|--|--------------------|------------------|
| | 2022 | 2021 |
| Present value of funded defined benefit obligation | \$ 314,666 | \$ 349,137 |
| Fair value of plan assets | <u>(283,237)</u> | <u>(261,651)</u> |
| Deficit | <u>\$ 31,429</u> | <u>\$ 87,486</u> |
| Net defined benefit liabilities | <u>\$ 31,429</u> | <u>\$ 87,486</u> |

Movements in net defined benefit liabilities were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|--|--|---|
| Balance at January 1, 2021 | <u>\$ 406,889</u> | <u>\$ (270,093)</u> | <u>\$ 136,796</u> |
| Service cost | | | |
| Current service cost | 3,053 | - | 3,053 |
| Net interest expense (income) | <u>2,015</u> | <u>(1,360)</u> | <u>655</u> |
| Recognized in profit or loss | <u>5,068</u> | <u>(1,360)</u> | <u>3,708</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (3,370) | (3,370) |
| Actuarial loss - changes in financial assumptions | 9,417 | - | 9,417 |
| Actuarial gain - experience adjustments | <u>(7,621)</u> | <u>-</u> | <u>(7,621)</u> |
| Recognized in other comprehensive income | <u>1,796</u> | <u>(3,370)</u> | <u>(1,574)</u> |
| Contributions from the employer | <u>-</u> | <u>(6,349)</u> | <u>(6,349)</u> |
| Benefits paid | <u>(19,521)</u> | <u>19,521</u> | <u>-</u> |
| Payment from the employer | <u>(45,095)</u> | <u>-</u> | <u>(45,095)</u> |
| Balance at December 31, 2021 | <u>\$ 349,137</u> | <u>\$ (261,651)</u> | <u>\$ 87,486</u> |
| Balance at January 1, 2022 | <u>\$ 349,137</u> | <u>\$ (261,651)</u> | <u>\$ 87,486</u> |
| Service cost | | | |
| Current service cost | 2,116 | - | 2,116 |
| Net interest expense (income) | <u>1,746</u> | <u>(1,323)</u> | <u>423</u> |
| Recognized in profit or loss | <u>3,862</u> | <u>(1,323)</u> | <u>2,539</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (21,100) | (21,100) |
| Actuarial gain - changes in financial assumptions | (28,258) | - | (28,258) |
| Actuarial loss - experience adjustments | <u>7,667</u> | <u>-</u> | <u>7,667</u> |
| Recognized in other comprehensive income | <u>(20,591)</u> | <u>(21,100)</u> | <u>(41,691)</u> |
| Contributions from the employer | <u>-</u> | <u>(6,172)</u> | <u>(6,172)</u> |
| Benefits paid | <u>(7,009)</u> | <u>7,009</u> | <u>-</u> |
| Payment from the employer | <u>(10,733)</u> | <u>-</u> | <u>(10,733)</u> |
| Balance at December 31, 2022 | <u>\$ 314,666</u> | <u>\$ (283,237)</u> | <u>\$ 31,429</u> |

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

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Selling and marketing expenses | \$ 1,117 | \$ 1,175 |
| General and administrative expenses | 661 | 839 |
| Research and development expenses | 691 | 1,634 |
| Non-operating expenses | <u>70</u> | <u>60</u> |
| | <u>\$ 2,539</u> | <u>\$ 3,708</u> |

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

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

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rate(s) | 1.50% | 0.50% |
| Expected rate(s) of salary increase | 2.50% | 2.50% |

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rate(s) | | |
| 0.25% increase | \$ (6,537) | \$ (8,116) |
| 0.25% decrease | \$ 6,740 | \$ 8,393 |
| Expected rate(s) of salary increase | | |
| 0.25% increase | \$ 6,553 | \$ 8,082 |
| 0.25% decrease | \$ (6,388) | \$ (7,682) |

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

| | December 31 | |
|--|--------------------|-------------|
| | 2022 | 2021 |
| The expected contributions to the plan for the next year | \$ 6,383 | \$ 6,000 |
| The average duration of the defined benefit obligation | 8.5 years | 9.4 years |

21. EQUITY

a. Capital surplus

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Excess from spin-off | \$ 5,986,507 | \$ 5,986,507 |
| Generated from investments accounted for using the equity method | <u>2,461</u> | <u>2,461</u> |
| | <u>\$ 5,988,968</u> | <u>\$ 5,988,968</u> |

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

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

b. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a 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 the distribution of dividends and bonuses to stockholders. For the policies on the distribution of compensation of employees after the amendment, refer to Note 23-e. on compensation of employees.

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.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's capital surplus. The 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.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2021 and 2020 approved in the stockholders' meetings on June 24, 2022 and July 20, 2021, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|----------------------------------|-------------|-----------------------------------|-------------|
| | For the Year Ended | | For the Year Ended | |
| | December 31 | | December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| Legal reserve | \$ 302,725 | \$ 653,983 | | |
| Special reserve | 142,095 | 57,604 | | |
| Cash dividends | 2,718,000 | 5,559,000 | \$9.06 | \$18.53 |

22. REVENUE

a. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|------------------------------|------------------------------|------------------------|
| Notes receivable (Note 9) | <u>\$ 930</u> | <u>\$ 235</u> | <u>\$ 1,934</u> |
| Notes receivable - related parties (Note 29) | <u>\$ -</u> | <u>\$ 21</u> | <u>\$ 579</u> |
| Trade receivables (Note 9) | <u>\$ 23,800</u> | <u>\$ 23,567</u> | <u>\$ 12,419</u> |
| Trade receivables - related parties (Note 29) | <u>\$ 356,964</u> | <u>\$ 287,324</u> | <u>\$ 389,371</u> |
| Contract liabilities | | | |
| Designing and performing R&D of cars | <u>\$ 70,028</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Revenue recognized in the current year from the satisfaction of performance obligations of contract liabilities at the beginning of the year is as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------|
| | 2022 | 2021 |
| From contract liabilities at the beginning of the year | | |
| Designing and performing R&D of cars | <u>\$ -</u> | <u>\$ -</u> |

b. Disaggregation of revenue

Refer to Note 34 for information about disaggregation of revenue.

c. Partially completed contracts

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

| | December 31 | |
|---------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Designing and performing R&D of cars | | |
| For the years ended December 31, 2023 | \$ 65,873 | \$ - |
| For the years ended December 31, 2024 | <u>4,155</u> | <u>-</u> |
| | <u>\$ 70,028</u> | <u>\$ -</u> |

23. NET PROFIT

a. Other operating income and expenses

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------|
| | 2022 | 2021 |
| (Loss) gains on disposal of property, plant and equipment | <u>\$ (2,811)</u> | <u>\$ 170</u> |

b. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 505,100 | \$ 580,136 |
| Operating expenses | <u>94,488</u> | <u>89,865</u> |
| | <u>\$ 599,588</u> | <u>\$ 670,001</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 4,157 | \$ 15,768 |
| Operating expenses | <u>4,297</u> | <u>5,848</u> |
| | <u>\$ 8,454</u> | <u>\$ 21,616</u> |

c. Remuneration for technical services

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Operating costs (Note 29) | <u>\$ 343,830</u> | <u>\$ 377,607</u> |

Remuneration for technical services is the payment for technical services.

d. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------------|
| | 2022 | 2021 |
| Post-employment benefits (Note 20) | | |
| Defined contribution plans | \$ 14,777 | \$ 15,083 |
| Defined benefit plans | <u>2,539</u> | <u>3,708</u> |
| | <u>17,316</u> | <u>18,791</u> |
| Labor and health insurance | 36,743 | 38,060 |
| Salary | 467,065 | 483,529 |
| Remuneration of directors | 13,200 | 13,200 |
| Other employee benefits | <u>46,798</u> | <u>47,612</u> |
| | <u>563,806</u> | <u>582,401</u> |
| Total employee benefits expense | <u>\$ 581,122</u> | <u>\$ 601,192</u> |
| An analysis of employee benefits expense by function | | |
| Operating expenses | \$ 581,022 | \$ 601,082 |
| Non-operating expenses | <u>100</u> | <u>110</u> |
| | <u>\$ 581,122</u> | <u>\$ 601,192</u> |

e. Compensation of employees

The Company accrued compensation of employees at the rates no less than 0.1% of net profit before income tax, and compensation of employees. The compensation of employees for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors on March 14, 2023 and March 15, 2022, respectively, were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Compensation of employees | 0.10% | 0.10% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| | Cash | Cash |
| Compensation of employees | \$ 3,056 | \$ 3,804 |

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

There was no difference between the actual amounts of compensation of employees paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

- f. Loss on foreign currency exchange, net

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------------|
| | 2022 | 2021 |
| Foreign exchange gains | \$ 165,914 | \$ 146,183 |
| Foreign exchange losses | <u>(317,537)</u> | <u>(178,768)</u> |
| Net loss | <u>\$ (151,623)</u> | <u>\$ (32,585)</u> |

- g. Loss on disposal of investments, net

| | For the Year Ended December 31 | |
|-----------------------------------|---------------------------------------|--------------------|
| | 2022 | 2021 |
| Gains on disposal of investments | \$ 1,843 | \$ 5,310 |
| Losses on disposal of investments | <u>(10,649)</u> | <u>(29,214)</u> |
| Net loss | <u>\$ (8,806)</u> | <u>\$ (23,904)</u> |

24. INCOME TAXES

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 722,196 | \$ 748,051 |
| Income tax on unappropriated earnings | - | 13,462 |
| Adjustments for prior years | 2,935 | 1,022 |
| Deferred tax | | |
| In respect of the current year | <u>(110,085)</u> | <u>12,094</u> |
| Income tax expense recognized in profit or loss | <u>\$ 615,046</u> | <u>\$ 774,629</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before tax | <u>\$ 3,025,627</u> | <u>\$ 3,800,622</u> |
| Income tax expense calculated at the statutory rate | \$ 605,125 | \$ 760,125 |
| Adjustments of expenses in determining taxable income | 6,986 | 2,197 |
| Tax-exempt income | - | (2,177) |
| Income tax on unappropriated earnings | - | 13,462 |
| Adjustments for prior years' tax | <u>2,935</u> | <u>1,022</u> |
| Income tax expense recognized in profit or loss | <u>\$ 615,046</u> | <u>\$ 774,629</u> |

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

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------|
| | 2022 | 2021 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Share of other comprehensive income of subsidiary accounted for using the equity method | \$ 7 | \$ - |
| Remeasurement of defined benefit plans | <u>8,338</u> | <u>315</u> |
| Recognized in other comprehensive income (loss) | <u>\$ 8,345</u> | <u>\$ 315</u> |

c. Installment payments of income tax

Due to impact of the COVID-19 pandemic, the Group applied to the National Taxation Bureau for the payment of its income tax for the year 2019 in 36 equal installments on a monthly basis starting from July 2020 in accordance with Rule No. 10904533690 issued by the Ministry of Finance (MOF) of the Republic of China, and recognized the outstanding balance of \$117,017 thousand as income tax liabilities - non-current.

d. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 516,410</u> | <u>\$ 748,817</u> |

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|------------------------|-------------------------------------|---|------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit obligation | \$ 27,693 | \$ (9,548) | \$ (315) | \$ 17,830 |
| Provisions for warranties | 34,115 | (1,997) | - | 32,118 |
| Provisions for loss on inventory purchase commitments | 23,947 | 482 | - | 24,429 |
| | | | | (Continued) |

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|---|--------------------|---------------------------------|--|--------------------|
| Unrealized exchange loss, net | \$ - | \$ 5,652 | \$ - | \$ 5,652 |
| Share of other comprehensive loss of associates accounted for using the equity method | <u>126</u> | <u>-</u> | <u>-</u> | <u>126</u> |
| | <u>\$ 85,881</u> | <u>\$ (5,411)</u> | <u>\$ (315)</u> | <u>\$ 80,155</u> |

Deferred tax liabilities

| | | | | |
|----------------------------------|---------------------|-----------------|-------------|------------------------------------|
| Temporary differences | | | | |
| Shares of profit of subsidiaries | \$ 2,404,901 | \$ 20,542 | \$ - | \$ 2,425,443 |
| Unrealized exchange gain, net | <u>13,859</u> | <u>(13,859)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,418,760</u> | <u>\$ 6,683</u> | <u>\$ -</u> | <u>\$ 2,425,443</u> (Concluded) |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|---|--------------------|---------------------------------|--|--------------------|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Defined benefit obligation | \$ 17,830 | \$ (2,874) | \$ (8,338) | \$ 6,618 |
| Provisions for warranties | 32,118 | (2,421) | - | 29,697 |
| Provisions for loss on inventory purchase commitments | 24,429 | (705) | - | 23,724 |
| Unrealized exchange loss, net | 5,652 | (5,652) | - | - |
| Share of other comprehensive loss of associates accounted for using the equity method | <u>126</u> | <u>-</u> | <u>(7)</u> | <u>119</u> |
| | <u>\$ 80,155</u> | <u>\$ (11,652)</u> | <u>\$ (8,345)</u> | <u>\$ 60,158</u> |

Deferred tax liabilities

| | | | | |
|----------------------------------|---------------------|---------------------|-------------|---------------------|
| Temporary differences | | | | |
| Shares of profit of subsidiaries | \$ 2,425,443 | \$ (122,583) | \$ - | \$ 2,302,860 |
| Unrealized exchange gain, net | <u>-</u> | <u>846</u> | <u>-</u> | <u>846</u> |
| | <u>\$ 2,425,443</u> | <u>\$ (121,737)</u> | <u>\$ -</u> | <u>\$ 2,303,706</u> |

f. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

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

Net Profit for the Year

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2022 | 2021 |
| Earnings used in the computation of basic and diluted earnings per share | <u>\$ 2,410,582</u> | <u>\$ 3,025,993</u> |

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

| | <u>For the Year Ended December 31</u> | |
|---|--|----------------|
| | 2022 | 2021 |
| Weighted-average number of common stock used in the computation of basic earnings per share | 300,000 | 300,000 |
| Effect of potential dilutive common stock: | | |
| Compensation of employees | <u>11</u> | <u>15</u> |
| Weighted average number of common stock used in the computation of diluted earnings per share | <u>300,011</u> | <u>300,015</u> |

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

26. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2022 and 2021, the Group entered into the following non-cash investing activities:

| | <u>For the Year Ended December 31</u> | |
|--|--|-------------------|
| | 2022 | 2021 |
| <u>Investing activities affecting both cash and non-cash transactions</u> | | |
| Increase in property, plant and equipment | \$ 59,757 | \$ 402,093 |
| Net changes of prepayment for equipment | 64,273 | (55,542) |
| Net changes of trade payables | <u>80,221</u> | <u>47,367</u> |
| Cash paid for acquisition of property, plant and equipment | <u>\$ 204,251</u> | <u>\$ 393,918</u> |

b. Changes in liabilities arising from financing activities

2022

| | Opening Balance | Cash Flows | New Leases | Leases Terminated | December 31, 2022 |
|-------------------|----------------------------|--------------------|-------------------|------------------------------|------------------------------|
| Lease liabilities | \$ <u>689,014</u> | \$ <u>(55,870)</u> | \$ <u>25,390</u> | \$ <u>(510)</u> | \$ <u>658,024</u> |

2021

| | Opening Balance | Cash Flows | New Leases | Leases Terminated | December 31, 2021 |
|-------------------|----------------------------|--------------------|-------------------|------------------------------|------------------------------|
| Lease liabilities | \$ <u>682,121</u> | \$ <u>(54,251)</u> | \$ <u>61,665</u> | \$ <u>(521)</u> | \$ <u>689,014</u> |

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

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

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

1) Fair value hierarchy

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------------------|----------------|----------------|---------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Mutual funds | \$ <u>2,342,779</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>2,342,779</u> |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|-------------------|----------------|----------------|-------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Mutual funds | \$ <u>547,289</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>547,289</u> |

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

2) Valuation techniques and assumptions applied for the purpose of fair value measurement

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

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

c. Categories of financial instruments

| | December 31 | |
|--|--------------------|-------------|
| | 2022 | 2021 |
| <u>Financial assets</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Mandatorily at FVTPL | \$ 2,342,779 | \$ 547,289 |
| Loans and receivables (Note 1) | 3,119,584 | 4,548,586 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (Note 2) | 1,228,893 | 1,210,128 |

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, within 3 months from the date of acquisition time deposits, notes receivable, trade receivables and other receivables.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payables and part of other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, and borrowings. The Group's corporate treasury function coordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price 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, interest rates and other prices.

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 the 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 32.

Sensitivity analysis

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

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

| | RMB | | U.S. Dollar | | Japan Yen | |
|------|---|--------------|---|-------------|---|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Loss | \$ (71,903) | \$ (176,693) | \$ (23,785) | \$ (27,857) | \$ (948) | \$ (2,270) |

These were mainly attributable to the exposure on outstanding RMB, U.S. dollar and Japanese yen denominated cash in bank, repurchase agreements collateralized by bonds, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,740,065 | \$ 3,076,457 |
| Financial liabilities | 658,024 | 689,014 |
| Cash flows interest rate risk | | |
| Financial assets | 875,394 | 967,739 |

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 would increase/decrease by \$2,188 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 would increase/decrease by \$2,419 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

c) Other price risk

The Group was exposed to price risk through its investments in funds. The Group manages this exposure by investing in a diversified portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If the fund's value had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have been higher/lower by \$23,428 thousand and \$5,473 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

The Group's concentration of credit risk of 65% and 45% in total trade receivables as of December 31, 2022 and 2021, 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 bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the available unutilized borrowings facilities were both \$5,700,000 thousand.

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

December 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|-------------------|-------------------------------|-------------------|-------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest bearing | \$ 1,193,749 | \$ 27,990 | \$ 8,154 | \$ - | \$ - |
| Lease liabilities | <u>5,104</u> | <u>10,098</u> | <u>44,014</u> | <u>182,935</u> | <u>475,799</u> |
| | <u>\$ 1,198,853</u> | <u>\$ 38,088</u> | <u>\$ 52,168</u> | <u>\$ 182,935</u> | <u>\$ 475,799</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|-------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 59,216</u> | <u>\$ 182,935</u> | <u>\$ 157,726</u> | <u>\$ 150,126</u> | <u>\$ 82,404</u> | <u>\$ 85,543</u> |

December 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|----------------------------|-------------------------------|------------------------|------------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest bearing Lease liabilities | \$ 1,148,938 <u>5,291</u> | \$ 57,913 <u>10,568</u> | \$ 3,277 <u>41,870</u> | \$ - <u>187,869</u> | \$ - <u>508,492</u> |
| | <u>\$ 1,154,229</u> | <u>\$ 68,481</u> | <u>\$ 45,147</u> | <u>\$ 187,869</u> | <u>\$ 508,492</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
| Lease liabilities | <u>\$ 57,729</u> | <u>\$ 187,869</u> | <u>\$ 159,050</u> | <u>\$ 152,554</u> | <u>\$ 96,669</u> | <u>\$ 100,219</u> |

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

| Related Party | Relationship with the Group |
|--|---------------------------------------|
| Investors that have significant influence over the Group | |
| Nissan Motor Corporation (“Nissan”) | Equity-method investor of the Company |
| Yulon Motor Co., Ltd. (“Yulon”) | Same as above |
| Other related parties | |
| Nissan Trading Co., Ltd. | Subsidiary of Nissan |
| Nissan Trading Europe Ltd. | Same as above |
| Nissan Trading (Thailand) Co., Ltd. | Same as above |
| Nissan Trading China Co., Ltd. | Same as above |
| Nissan Motor Egypt S.A.E. | Same as above |
| Nissan Import Egypt, Ltd. | Same as above |
| PT. Nissan Motor Indonesia (NMI) | Same as above |
| Nissan Mexicana, S.A. De C. V. | Same as above |
| Nissan Motor (Thailand) Co., Ltd. | Same as above |
| PT Nissan Motor Distributor Indonesia | Same as above |
| Nissan North America, Inc. | Same as above |
| Nissan International SA | Same as above |
| Nissan Creative Service Co., Ltd. | Same as above |
| Nissan Vietnam Co., Ltd. | Substantial related party of Nissan |
| Nissan Philippines Inc. | Same as above |
| INFINITI Motor Co., Ltd. | Same as above |
| Renault Nissan Automotive India Private Ltd. | Same as above |
| Autech Japan, Inc. | Same as above |
| Dongfeng Motor Co., Ltd. | Same as above |
| Dongfeng Nissan Passenger Vehicle Co. | Same as above |
| Zhenzhou Nissan Automobile Co., Ltd. | Same as above |

(Continued)

| Related Party | Relationship with the Group |
|--|---|
| 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 Motors Co., Ltd. | Same as above |
| Uni Auto Parts Co., Ltd. | Same as above |
| Chan Yun Technology Co., Ltd. | Same as above |
| Singan Co., Ltd. | Same as above |
| Y-teks Co., Ltd. | Same as above |
| Sinjang Co., Ltd. | Same as above |
| Luxgen Motor Co., Ltd. | Same as above |
| Yue Sheng Industrial Co., Ltd. | Same as above |
| Yulon Energy Service Co., Ltd. | Same as above |
| Yufong Property Management Co., Ltd. | Sub-subsubsidiary of Yulon |
| Univation Motor Philippines, Inc. | Substantial related party of Yulon |
| Uni Calsonic Corporation | Same as above |
| China Ogihara Corporation | Same as above |
| Yuan Lon Motor Co., Ltd. | Same as above |
| Chen Long Co., Ltd. | Same as above |
| Yulon Management Co., Ltd. | Same as above |
| ROC Spicer Co., Ltd. | Same as above |
| Chi Ho Corporation | Same as above |
| Yu Tang Motor Co., Ltd. | Same as above |
| Tokio Marine Newa Insurance Co., Ltd. | Same as above |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | Same as above |
| Taiway, Ltd. | Same as above |
| Kian Shen Corporation | Same as above |
| Hui-Lian Motor Co., Ltd. | Same as above |
| Le-Wen Co., Ltd. | Same as above |
| Visionary International Consulting Co., Ltd. | Same as above |
| Tai Yuen Textile Co., Ltd. | Same as above |
| San Long Industrial Co., Ltd. | Same as above |
| China Motor Corporation | Same as above |
| Foxtron Vehicle Technologies Co., Ltd. | Substantial related party of Hua-Chuang |
| Singgual Technology Co., Ltd. | Subsidiary of Singan Co., Ltd. |
| Hsiang Shou Enterprise Co., Ltd. | Same as above |
| Hong Shou Culture Enterprise Co., Ltd. | Same as above |
| Shinshin Credit Corporation | Subsidiary of Taiwan Acceptance Corporation |
| Yu Pool Co., Ltd. | Subsidiary of Yushin Motor Co., Ltd. |
| Yu-Jan Co., Ltd. | Subsidiary of Yu Sing Motor Co., Ltd. |
| Tang Li Enterprise Co., Ltd. | Subsidiary of Yu Tang Motor Co., Ltd. |
| Ding Long Motor Co., Ltd. | Subsidiary of Chen Long Co., Ltd. |
| Lian Cheng Motor Co., Ltd. | Same as above |
| CL Skylite Trading Co., Ltd. | Sub-subsubsidiary of Chen Long Co., Ltd. |

(Continued)

| Related Party | Relationship with the Group |
|---|--|
| Yuan Jyh Motor Co., Ltd. | Subsidiary of Yuan Lon Motor Co., Ltd. |
| Yuan Rui Auto Co., Ltd. | Same as above |
| Diamond Leasing Service Co., Ltd. | Subsidiary of Ka-Plus Automobile Leasing Co., Ltd. |
| Da Teng Transportation Co., Ltd. | Sub-subsidiary of Ka-Plus Automobile Leasing Co., Ltd. |
| Hsieh Kuan Manpower Service Co., Ltd. | Subsidiary of Diamond Leasing Service Co., Ltd. |
| Tan Wang Co., Ltd. | Subsidiary of Yu Chang Motor Co., Ltd. |
| Carnival Textile Industrial Corporation | Substantial related party of the Company |
| Y.M. Hi-Tech Industry Ltd. | Subsidiary of China Ogihara Corporation |
| DFS Industrial Group Co., Ltd. | Substantial related party of Dongfeng Nissan Passenger Vehicle Co. |
| Luxgen Taoyuan Motor Co., Ltd. | Subsidiary of Luxgen Motor Co., Ltd. |
| Luxgen Taichung Motor Co., Ltd. | Same as above |
| Luxgen Kaohsiung Motor Co., Ltd. | Same as above |
| ROC-Keeper Industrial Ltd. | Subsidiary of ROC Spicer Co., Ltd. |
| Kuen You Trading Co., Ltd. | Investee of Yu Sing Motor Co., Ltd. |
| Fengye Leasing Co., Ltd. | Subsidiary of CL Skylite Trading Co., Ltd. |
| Euniton Enterprise Co., Ltd. | Substantial related party of Empower Motors Co., Ltd. |
| | (Concluded) |

b. Related party transaction details

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

1) Operating transactions

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|------------------|---|---------------------------------------|----------------------|
| | | 2022 | 2021 |
| Sales | Taiwan Acceptance Corporation | \$ 19,691,641 | \$ 20,892,345 |
| | Investors that have significant influence | 2,248 | 4,093 |
| | Other related parties | <u>3,214,967</u> | <u>3,304,286</u> |
| | | <u>\$ 22,908,856</u> | <u>\$ 24,200,724</u> |
| Service revenue | Nissan | <u>\$ 294,470</u> | <u>\$ 61,075</u> |

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

| | <u>For the Year Ended December 31</u> | |
|---|--|-------------------|
| | 2022 | 2021 |
| <u>Other operating revenue</u> | | |
| Nissan Trading Co., Ltd. | \$ 12,072 | \$ - |
| Yu Chang Motor Co., Ltd. | 12,030 | - |
| Investors that have significant influence | 1,299 | 13,670 |
| Other related parties | <u>65,143</u> | <u>98,627</u> |
| | <u>\$ 90,544</u> | <u>\$ 112,297</u> |

Other operating revenue mainly arose from the sale of steel plates, steel and aluminum parts and the extended warranty services.

| | <u>For the Year Ended December 31</u> | |
|---|--|----------------------|
| | 2022 | 2021 |
| <u>Operating costs - purchases</u> | | |
| Yulon | \$ 19,362,749 | \$ 20,491,665 |
| Investors that have significant influence | 16,796 | 26,929 |
| Other related parties | <u>87,565</u> | <u>38,969</u> |
| | <u>\$ 19,467,110</u> | <u>\$ 20,557,563</u> |

Operating costs - remuneration for technical services

| | | |
|--------------------|-------------------|-------------------|
| Nissan | \$ 343,672 | \$ 376,113 |
| Autech Japan, Inc. | <u>158</u> | <u>1,494</u> |
| | <u>\$ 343,830</u> | <u>\$ 377,607</u> |

Remuneration for technical services is the payment for technical services provided by Nissan and Autech Japan, Inc. based on the Company's technical cooperation agreements with the two companies. The remuneration for technical services provided by Nissan is calculated based on the purchase costs less commodity tax of each vehicle model, while the remuneration for technical services provided by Autech Japan, Inc. is calculated based on the R&D fees of each vehicle model plus the royalty fees of each vehicle sold.

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2022 | 2021 |
| <u>Selling and marketing expenses</u> | | |
| Investors that have significant influence | \$ 30,112 | \$ 20,991 |
| Other related parties | <u>983,471</u> | <u>1,278,534</u> |
| | <u>\$ 1,013,583</u> | <u>\$ 1,299,525</u> |

(Continued)

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>General and administrative expenses</u> | | |
| Yulon Management Co., Ltd. | \$ 233,052 | \$ 233,813 |
| Investors that have significant influence | 15,134 | 9,338 |
| Other related parties | <u>9,607</u> | <u>6,108</u> |
| | <u>\$ 257,793</u> | <u>\$ 249,259</u> |

Research and development expenses

| | | |
|---|-------------------|-------------------|
| Yulon | \$ 110,209 | \$ 80,803 |
| Investors that have significant influence | 8,642 | 15,715 |
| Other related parties | <u>8,712</u> | <u>9,380</u> |
| | <u>\$ 127,563</u> | <u>\$ 105,898</u> |

(Concluded)

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

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

Research and development expenses are payments for prototype fees, sample fees and for services related to the provision of system platform research for each vehicle model.

2) Non-operating transactions

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| <u>Other revenues</u> | | |
| Tokio Marine Nawa Insurance Co., Ltd. | <u>\$ -</u> | <u>\$ 30</u> |
| <u>Overseas business expenses</u> | | |
| Yulon | \$ 5,759 | \$ 4,116 |
| Yulon Management Co., Ltd. | <u>24</u> | <u>769</u> |
| | <u>\$ 5,783</u> | <u>\$ 4,885</u> |

3) Receivables from related parties

| | December 31 | |
|--------------------------|--------------------|--------------|
| | 2022 | 2021 |
| <u>Notes receivable</u> | | |
| Yuan Jyh Motor Co., Ltd. | <u>\$ -</u> | <u>\$ 21</u> |

(Continued)

| | December 31 | |
|---|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Trade receivables</u> | | |
| Taiwan Acceptance Corporation | \$ 255,017 | \$ 140,062 |
| Investors that have significant influence | 8,356 | 57,614 |
| Other related parties | <u>93,591</u> | <u>89,648</u> |
| | <u>\$ 356,964</u> | <u>\$ 287,324</u> |

Other receivables

| | | |
|-----------------------|-------------------|-------------------|
| Yulon | \$ 104,311 | \$ 127,759 |
| Other related parties | <u>6,274</u> | <u>19,209</u> |
| | <u>\$ 110,585</u> | <u>\$ 146,968</u> |

(Concluded)

Other receivables from Yulon are mainly purchase discounts and commodity taxes paid by the Company on behalf of Yulon.

Trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized on trade receivables from related parties.

4) Refundable deposits

| | December 31 | |
|-----------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Yulon | \$ 365,831 | \$ 516,622 |
| Other related parties | <u>132</u> | <u>-</u> |
| | <u>\$ 365,963</u> | <u>\$ 516,622</u> |

Refundable deposits are mainly the deposits paid by the Company to Yulon for materials and paid to other related parties for warehouse lease.

5) Payables to related parties

| | December 31 | |
|---------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Trade payables</u> | | |
| Yulon | \$ 273,646 | \$ 224,624 |
| Nissan | 93,036 | 74,022 |
| Dongfeng Nissan Passenger Vehicle Co. | 69,398 | - |
| Other related parties | <u>5,876</u> | <u>1,439</u> |
| | <u>\$ 441,956</u> | <u>\$ 300,085</u> |

(Continued)

| | December 31 | |
|----------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Other payables</u> | | |
| Yulon | \$ 32,558 | \$ 24,445 |
| Yulon Management Co., Ltd. | 19,084 | 100 |
| Other related parties | <u>89,798</u> | <u>202,272</u> |
| | <u>\$ 141,440</u> | <u>\$ 226,817</u> |
| | | (Concluded) |

Trade payables to related parties are unsecured as of December 31, 2022 and 2021; the balance of payables for purchases of equipment from other payables was \$1,746 thousand and \$4,910 thousand, respectively.

6) Acquisition of property, plant and equipment

| Related Party Category/Name | Acquisition Price | |
|------------------------------------|--------------------------|------------------|
| | 2022 | 2021 |
| Yulon | \$ 8,652 | \$ - |
| Uni Calsonic Corporation | 1,979 | 3,420 |
| Yueki Industrial Co., Ltd. | - | 23,942 |
| Uni Auto Parts Co., Ltd. | - | 8,000 |
| Other related parties | <u>757</u> | <u>9,889</u> |
| | <u>\$ 11,388</u> | <u>\$ 45,251</u> |

7) Disposal of property, plant and equipment

| Related Party Category/Name | Sales Proceeds | | Gain (Loss) on Disposal | |
|------------------------------------|-----------------------|---------------|--------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Yushin Motor Co., Ltd. | \$ - | \$ 305 | \$ - | \$ 124 |
| Yu Tang Motor Co., Ltd. | - | 4 | - | (1) |
| Empower Motors Co., Ltd. | <u>-</u> | <u>3</u> | <u>-</u> | <u>(1)</u> |
| | <u>\$ -</u> | <u>\$ 312</u> | <u>\$ -</u> | <u>\$ 122</u> |

8) Lease arrangements - the Group is lessee

| Related Party Category/Name | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Acquisition of right-of-use assets</u> | | |
| Yulon | \$ 22,851 | \$ 48,089 |
| Ka-Plus Automobile Leasing Co., Ltd. | <u>1,670</u> | <u>13,576</u> |
| | <u>\$ 24,521</u> | <u>\$ 61,665</u> |

The Company's rental expenses paid monthly are primarily comprised of building property and cars for its executives for years ended December 31, 2022 and 2021. The lease term of the two contracts was 3-5 years and 3 years, respectively.

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|-------------------|-----------------------------|--------------------------------|-------------------|
| | | 2022 | 2021 |
| Lease liabilities | Yulon | \$ 647,337 | \$ 670,588 |
| | Other related parties | <u>8,827</u> | <u>15,462</u> |
| | | <u>\$ 656,164</u> | <u>\$ 686,050</u> |

| Related Party Category/Name | | For the Year Ended December 31 | |
|-----------------------------|--|--------------------------------|-----------------|
| | | 2022 | 2021 |
| <u>Interest expense</u> | | | |
| Yulon | | \$ 6,089 | \$ 5,950 |
| Other related parties | | <u>115</u> | <u>124</u> |
| | | <u>\$ 6,204</u> | <u>\$ 6,074</u> |

Interest expense is for lease liabilities.

| Related Party Category/Name | | For the Year Ended December 31 | |
|-----------------------------|--|--------------------------------|-----------------|
| | | 2022 | 2021 |
| <u>Lease expense</u> | | | |
| Yulon | | \$ 2,546 | \$ 1,912 |
| Other related parties | | <u>657</u> | <u>562</u> |
| | | <u>\$ 3,203</u> | <u>\$ 2,474</u> |

Lease expenses included expenses relating to short-term leases that do not depend on an index or a rate. Future lease payables related to short-term leases are as follows:

| | December 31 | |
|--|-----------------|-----------------|
| | 2022 | 2021 |
| Short-term lease payments to be paid in the future | <u>\$ 3,279</u> | <u>\$ 1,240</u> |

c. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 34,375 | \$ 42,252 |
| Post-employment benefits | <u>2,015</u> | <u>2,383</u> |
| | <u>\$ 36,390</u> | <u>\$ 44,635</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Other transactions with related parties

1) Trade receivables sold to Taiwan Acceptance Corporation

The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to \$2,005,429 thousand and \$2,029,879 thousand for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Company had received cash payments of \$1,971,706 thousand and \$1,990,544 thousand, respectively. Based on the contract, the amount of receivables sold is limited to the amount of guarantee provided by the original debtor to Taiwan Acceptance Corporation. The interest rate intervals of the Company's trade receivables sold to Taiwan Acceptance Corporation for the years ended December 31, 2022 and 2021 were 2.86% and 2.31%; and the interest expenses recognized were \$1,218 thousand and \$1,050 thousand, respectively.

As of December 31, 2022 and 2021, the Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale resulted in the derecognition of these trade receivables because the Company transferred the significant risks and rewards relating to the accounts to the buyer.

2) Molds contract signed with Diamond Leasing Service Co., Ltd.

The contract is valid from the date of signing of the contract to the production end date of the car model. As of December 31, 2022, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$1,242,969 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Diamond Leasing Service Co., Ltd., the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

3) Molds contract signed with Shinshin Credit Corporation

The contract is valid from the date of signing of the contract to the production end date of the car model. As of December 31, 2022, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$488,226 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Shinshin Credit Corporation the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

4) Molds contract signed with Sinjang Co., Ltd.

The contract is valid from the date of signing of the contract to the production end date of the car model. As of December 31, 2022, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$485,303 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Sinjang Co., Ltd. the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

5) Molds contract signed with Chan Yun Technology Co., Ltd.

The contract is valid from the date of signing of the contract to the production end date of the car model. As of December 31, 2022, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$69,360 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Chan Yun Technology Co., Ltd. the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as the deposits for the maintenance of military vehicles:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2022 | 2021 |
| Pledged deposits (classified as financial assets at amortized cost) | <u>\$ 2,120</u> | <u>\$ -</u> |

31. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2022 were as follows:

- a. The Company re-signed a manufacturing contract with Yulon, effective on or after May 1, 2015, for 5 years. This contract, for which the first expiry date was on April 30, 2020, is automatically extended annually unless either party issues a termination notice at least three months before expiry. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer (OEM) of automobile parts and after-sales service.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2022, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

| | December 31 | |
|---|--------------------|------------------|
| | 2022 | 2021 |
| Acquisition of property, plant, and equipment | <u>\$ 65,088</u> | <u>\$ 56,033</u> |

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|-------------------------|---------------------|------------------|----------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 7,816 | 4.4080 (RMB:NTD) | \$ 34,453 |
| USD | 15,490 | 30.710 (USD:NTD) | 475,698 |
| RMB | 321,510 | 0.1436 (RMB:USD) | 1,417,845 |
| JPY | 81,612 | 0.2324 (JPY:NTD) | <u>18,967</u> |
| | | | <u>\$ 1,946,963</u> |
| Non-monetary items | | | |
| USD | 538,386 | 30.710 (USD:NTD) | <u>\$ 16,533,811</u> |

Financial liabilities

| | | | |
|----------------|----|------------------|--------------|
| Monetary items | | | |
| JPY | 73 | 0.2324 (JPY:NTD) | <u>\$ 17</u> |

December 31, 2021

| | Foreign Currency | Exchange Rate | Carrying Amount |
|-------------------------|---------------------|------------------|----------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 387,332 | 4.3440 (RMB:NTD) | \$ 1,682,570 |
| USD | 20,128 | 27.680 (USD:NTD) | 557,143 |
| RMB | 290,368 | 0.1568 (RMB:USD) | 1,851,299 |
| JPY | 188,896 | 0.2405 (JPY:NTD) | <u>45,429</u> |
| | | | <u>\$ 4,136,441</u> |
| Non-monetary items | | | |
| USD | 593,376 | 27.680 (USD:NTD) | <u>\$ 16,424,660</u> |

Financial liabilities

| | | | |
|----------------|-----|------------------|--------------|
| Monetary items | | | |
| JPY | 132 | 0.2405 (JPY:NTD) | <u>\$ 32</u> |

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

| For the Year Ended December 31 | | | | |
|--------------------------------|------------------|--|------------------|--|
| Foreign Currency | Exchange Rate | 2022 | Exchange Rate | 2021 |
| | | Net Foreign Exchange Gain (Loss) | | Net Foreign Exchange Gain (Loss) |
| RMB | 4.4220 (RMB:NTD) | \$ 53,924 | 4.3410 (RMB:NTD) | \$ (11,709) |
| RMB | 0.1484 (RMB:USD) | (271,495) | 0.1550 (RMB:USD) | (5,720) |
| USD | 29.805 (USD:NTD) | 65,141 | 28.009 (USD:NTD) | (13,267) |
| JPY | 0.2275 (JPY:NTD) | <u>807</u> | 0.2554 (JPY:NTD) | <u>(1,889)</u> |
| | | <u>\$ (151,623)</u> | | <u>\$ (32,585)</u> |

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 1 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- 9) Trading in derivative instruments: None
- 10) Information on investees: Table 4 (attached)
- 11) Intercompany relationships and significant intercompany transactions: Table 5 (attached)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investments in the mainland China area: Table 6 (attached)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- c) The amount of property transactions and the amount of the resultant gains or losses.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

c. Information of major shareholders

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7 (attached).

34. 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

Parts segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues and results

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

| | Revenue | | Profit Before Tax | |
|---|---|----------------------|---|---------------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Vehicle segment | \$ 19,706,047 | \$ 21,009,561 | \$ (480,690) | \$ (289,472) |
| Parts segment | 3,500,331 | 3,479,453 | 639,768 | 668,955 |
| Investment segment | - | - | 3,044,311 | 3,661,015 |
| Other segment | <u>400,813</u> | <u>179,370</u> | <u>(27,301)</u> | <u>(243,559)</u> |
| | <u>\$ 23,607,191</u> | <u>\$ 24,668,384</u> | 3,176,088 | 3,796,939 |
| Gain (loss) on disposal of property, plant and equipment | | | (2,811) | 170 |
| Interest income | | | 52,217 | 53,509 |
| Gain (loss) on financial assets at fair value through profit or loss, net | | | (16,576) | 34,789 |
| Foreign exchange loss, net | | | (151,623) | (32,585) |
| Interest expense | | | (9,662) | (15,096) |
| Loss on disposal of investments, net | | | (8,806) | (23,904) |
| Central administration costs | | | <u>(13,200)</u> | <u>(13,200)</u> |
| Profit before tax | | | <u>\$ 3,025,627</u> | <u>\$ 3,800,622</u> |

Segment profit represents the profit earned by each segment, excluding the allocation of gain (loss) on disposal of property, plant and equipment, interest income, gain (loss) on financial assets at fair value through profit or loss, net, foreign exchange loss, net, interest expense, gain (loss) on disposal of investments, net, central administration costs and remuneration of directors, and income tax expense. The amount is provided to the chief operating decision maker for allocating resources and assessing the performance.

b. Segment total assets

| | December 31 | |
|---------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Vehicle segment | \$ 1,073,886 | \$ 1,548,298 |
| Parts segment | 10,289 | 19,198 |
| Investment segment | 16,533,811 | 16,424,660 |
| Other segment | <u>147,445</u> | <u>148,409</u> |
| | 17,765,431 | 18,140,565 |
| Unallocated assets | <u>6,745,435</u> | <u>6,512,910</u> |
| Consolidated total assets | <u>\$ 24,510,866</u> | <u>\$ 24,653,475</u> |

c. Revenue from major products and services

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

| | For the Year Ended December 31 | |
|----------|---------------------------------------|-----------------------------|
| | 2022 | 2021 |
| Vehicles | \$ 19,706,047 | \$ 21,009,561 |
| Parts | 3,500,330 | 3,479,453 |
| Others | <u>400,814</u> | <u>179,370</u> |
| | <u>\$ 23,607,191</u> | <u>\$ 24,668,384</u> |

d. Geographical information

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

| | For the Year Ended December 31 | |
|----------|---------------------------------------|-----------------------------|
| | 2022 | 2021 |
| Domestic | \$ 23,290,231 | \$ 24,556,837 |
| Overseas | <u>316,960</u> | <u>111,547</u> |
| | <u>\$ 23,607,191</u> | <u>\$ 24,668,384</u> |

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

| | December 31 | |
|----------|----------------------------|----------------------------|
| | 2022 | 2021 |
| Domestic | \$ 2,373,425 | \$ 2,944,858 |
| Overseas | <u>-</u> | <u>-</u> |
| | <u>\$ 2,373,425</u> | <u>\$ 2,944,858</u> |

e. Information about major customers

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------------------|
| | 2022 | 2021 |
| A specific customer from the vehicle segment | <u>\$ 19,691,641</u> | <u>\$ 20,892,345</u> |

No other single customer contributed 10% or more to the Group's revenue for the years ended December 31, 2022 and 2021.

TABLE 1

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Investor | Type and Name of Marketable Securities | Relationship with the Investor | Financial Statement Account | December 31, 2022 | | | | Note |
|----------------------------------|---|--------------------------------|---|--------------------------|--------------------|----------------------------|--|------|
| | | | | Stocks (In Thousands) | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value (Note) | |
| Yulon Nissan Motor Company, Ltd. | <u>Beneficiary certificates</u> | | | | | | | |
| | Allianz Global Investors Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss | \$ 18,136 | \$ 230,966 | - | \$ 230,966 | |
| | Taishin Securities Investment Tr Co., Ltd. | - | Financial assets at fair value through profit or loss | 16,767 | 230,796 | - | 230,796 | |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss | 12,132 | 188,652 | - | 188,652 | |
| | The RSIT Enhanced Money Market Fund | - | Financial assets at fair value through profit or loss | 13,242 | 160,600 | - | 160,600 | |
| | SinoPac TWD Money Market Fund | - | Financial assets at fair value through profit or loss | 10,669 | 150,690 | - | 150,690 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss | 9,988 | 150,533 | - | 150,533 | |
| | KGI Victory Money Market Fund | - | Financial assets at fair value through profit or loss | 11,104 | 130,543 | - | 130,543 | |
| | Cathay Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss | 9,545 | 120,448 | - | 120,448 | |
| | TCB Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss | 11,688 | 120,384 | - | 120,384 | |
| | Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss | 6,965 | 100,511 | - | 100,511 | |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss | 6,080 | 100,446 | - | 100,446 | |
| | PineBridge Taiwan Money Market Securities Investment Trust Fund | - | Financial assets at fair value through profit or loss | 7,253 | 100,440 | - | 100,440 | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss | 7,872 | 100,332 | - | 100,332 | |
| | Prudential Financial Money Market Fund | - | Financial assets at fair value through profit or loss | 4,992 | 80,200 | - | 80,200 | |
| | Fubon Chi-Hsiang Money Market Fund | - | Financial assets at fair value through profit or loss | 5,040 | 80,183 | - | 80,183 | |
| | Capital Money Market Fund | - | Financial assets at fair value through profit or loss | 3,068 | 50,269 | - | 50,269 | |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss | 3,035 | 50,247 | - | 50,247 | |
| | PineBridge Preferred Securities Income Fund | - | Financial assets at fair value through profit or loss | 133 | 45,043 | - | 45,043 | |
| | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss | 1,821 | 30,179 | - | 30,179 | |
| | Shin Kong Chi-Shin Money-Market Fund | - | Financial assets at fair value through profit or loss | 1,916 | 30,107 | - | 30,107 | |
| | Franklin Templeton Sinoam Money Market Fund | - | Financial assets at fair value through profit or loss | 2,856 | 30,000 | - | 30,000 | |
| | Fuh Hwa You Li Money Market Fund | - | Financial assets at fair value through profit or loss | 1,464 | 20,000 | - | 20,000 | |
| | Nomura Global Equity Fund | - | Financial assets at fair value through profit or loss | 800 | 17,496 | - | 17,496 | |
| | Allianz Global Investors Taiwan Intelligence Trends Fund | - | Financial assets at fair value through profit or loss | 186 | 12,580 | - | 12,580 | |
| | TAROBO Robts Quant Chinese Fund | - | Financial assets at fair value through profit or loss | 275 | 4,684 | - | 4,684 | |
| | FSITC Global Utilities and Infrastructure Fund | - | Financial assets at fair value through profit or loss | 277 | 3,764 | - | 3,764 | |
| | Fuh Hwa Heirloom No. 2 Balance Fund | - | Financial assets at fair value through profit or loss | 66 | 2,686 | - | 2,686 | |

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value as of December 31, 2022.

TABLE 2

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction (Note 1) | | Note/Accounts Payable or Receivable | | Note |
|----------------------------------|-------------------------------|---------------------------------------|---------------------|---------------|---------------|---|-------------------------------|---------------|-------------------------------------|---------------------------|------|
| | | | Purchase/ Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total (Note 2) | |
| Yulon Nissan Motor Company, Ltd. | Yulon | Equity-method investor of the Company | Purchase | \$ 19,362,749 | 98 | 4 days after sales for parts 3 days after sales for vehicles | \$ - | - | \$ (273,646) | 53 | - |
| | Taiwan Acceptance Corporation | Subsidiary of Yulon | Sale | 19,691,641 | 85 | Same as above | - | - | 255,017 | 67 | - |
| | Yu Chang Motor Co., Ltd. | Same as above | Sale | 446,777 | 2 | 14 days after sales for parts | - | - | 19,527 | 5 | - |
| | Yuan Lon Motor Co., Ltd. | Substantial related party of Yulon | Sale | 434,594 | 2 | 14 days after sales for parts Immediate payment for vehicles | - | - | 15,297 | 4 | - |
| | Empower Motors Co., Ltd. | Subsidiary of Yulon | Sale | 365,471 | 2 | 14 days after sales for parts | - | - | 13,622 | 4 | - |
| | Yu Sing Motor Co., Ltd. | Same as above | Sale | 370,473 | 2 | 14 days after sales for parts Immediate payment for vehicles | - | - | 7,235 | 2 | - |
| | Hui-Lian Motor Co., Ltd. | Substantial related party of Yulon | Sale | 348,752 | 2 | Same as above | - | - | 1,904 | - | - |
| | Yushin Motor Co., Ltd. | Subsidiary of Yulon | Sale | 275,141 | 1 | 14 days after sales for parts | - | - | 6,650 | 2 | - |
| | Yu Tang Motor Co., Ltd. | Substantial related party of Yulon | Sale | 262,932 | 1 | Same as above | - | - | - | - | - |
| | Chen Long Co., Ltd. | Same as above | Sale | 249,374 | 1 | 14 days after sales for parts Immediate payment for vehicles | - | - | 4,328 | 1 | - |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

Note 1: Transaction terms are based on agreements.

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

TABLE 3

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**TRADE RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate (Note 1) | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|----------------------------------|--|--|-------------------|-------------------------------|---------|--------------|--|----------------------------|
| | | | | | Amount | Action Taken | | |
| Yulon Nissan Motor Company, Ltd. | Taiwan Acceptance Corporation Yulon | Subsidiary of Yulon Equity-method investor of the Company | Trade receivables | \$ 255,017 99.68 Note 2 | \$ - | - | \$ 255,017 92,811 | \$ - |
| | | | Other receivables | | - | - | | |

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

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

TABLE 4

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and U.S. Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income of the Investee | Share of Profit | Note |
|--------------------------------------|--------------------------------------|------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------|-----|-----------------|----------------------------|-----------------|---------------|
| | | | | December 31, 2022 | December 31, 2021 | Stocks (In Thousands) | % | Carrying Amount | | | |
| Yulon Nissan Motor Company, Ltd. | Yi-Jan Overseas Investment Co., Ltd. | Cayman Islands | Investment | \$ 1,847,983 (US\$ 57,371) | \$ 1,847,983 (US\$ 57,371) | 84,987 | 100 | \$ 17,707,374 | \$ 2,795,803 | \$ 2,795,803 | Notes 1 and 2 |
| Yi-Jan Overseas Investment Co., Ltd. | Jetford Inc. | British Virgin Islands | Investment | US\$ 57,171 | US\$ 57,171 | 71,772 | 100 | US\$ 576,427 | US\$ 93,808 | US\$ 93,808 | 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 and percentage of ownership.

Note 2: Eliminated.

TABLE 5

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Number (Note 1) | Company Name | Related Party | Relationship (Note 2) | Transaction Details | | | |
|--------------------|----------------------------------|---------------|--------------------------|--|--------------------|---------------------------|--|
| | | | | Financial Statement Account | Amount (Note 3) | Payment Terms (Note 4) | % to Total Sales or Assets (Note 5) |
| 0 | Yulon Nissan Motor Company, Ltd. | Jetford Inc. | a | Trade receivables - related parties | \$ 5,025 | - | - |
| | | | | Reduction of general and administrative expenses | 21,460 | - | - |

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 6

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment (e.g., Direct or Indirect) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 | % Ownership of Direct or Indirect Investment | Net Income of the Investee | Investment Gain (Note 2) | Carrying Amount as of December 31, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|---------------------------------------|---|---------------------------------|---|---|------------------|--------|---|--|-------------------------------|----------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Aeolus Xiangyang Automobile Co., Ltd. | Developing and manufacturing of parts and vehicles and related services | \$ 4,529,078 (RMB 1,032,500) | Note 1 | \$ 716,856 (US\$ 21,700) | \$ - | \$ - | \$ 716,856 (US\$ 21,700) | 16.55 | \$ 1,669,961 (US\$ 56,030) | \$ 276,378 (US\$ 9,273) | \$ 1,299,418 (US\$ 42,313) | \$ 5,239,393 (US\$ 170,481) |
| Guangzhou Aeolus Automobile Co., Ltd. | Developing and manufacturing of parts and vehicles and related services | 9,486,201 (RMB 2,303,250) | Note 1 | 1,124,786 (US\$ 35,471) | - | - | 1,124,786 (US\$ 35,471) | 42.69 | 6,502,332 (US\$ 218,162) | 2,775,846 (US\$ 93,134) | 15,234,393 (US\$ 496,073) | 44,586,069 (US\$ 1,462,903) |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 | 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) | \$3,279,922 (US\$103,622) | \$11,532,894 |

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

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

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

TABLE 7**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| Name of Major Shareholder | Shares | |
|---------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Yulon Motor Co., Ltd. | 143,500,000 | 47.83 |
| Nissan Motor Corporation | 120,000,000 | 40.00 |

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the non-physical securities delivery (including treasury shares) is more than 5%. The share capital recorded in the Company's consolidated financial report and the actual number of non-physical securities delivered may be different or different due to the basis of preparation and calculation.