

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2015 and 2014 and  
Independent Auditors' Review Report**

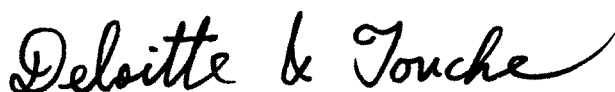
## INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2015 and 2014 and the related consolidated statements of comprehensive income for the three months ended September 30, 2015 and 2014, nine months ended September 30, 2015 and 2014, and changes in equity and cash flows for the nine months ended September 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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



November 6, 2015

### Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

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

	September 30, 2015 (Reviewed)		December 31, 2014 (Audited)		September 30, 2014 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 9,307,690	29	\$ 12,831,865	35	\$ 10,455,700	32
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,289,433	4	331,032	1	605,621	2
Notes receivable (Notes 4 and 8)	-	-	2,000	-	22	-
Notes receivable - related parties (Notes 4 and 29)	2,562	-	905	-	2,109	-
Trade receivable (Notes 4 and 8)	65,707	-	70,218	-	74,632	-
Trade receivable from related parties (Notes 4 and 29)	451,252	2	220,133	1	563,030	2
Other receivables (Notes 4 and 8)	1,036,648	3	96,152	-	1,968,456	6
Current tax assets (Note 4)	-	-	-	-	2,725	-
Inventories (Notes 4 and 9)	286,377	1	2,739	-	96,174	-
Prepayments (Note 29)	602,160	2	509,050	2	300,364	1
Other financial assets (Note 10)	906,528	3	2,198,866	6	1,607,446	5
Total current assets	13,948,357	44	16,262,960	45	15,676,279	48
<b>NON-CURRENT ASSETS</b>						
Investments accounted for using equity method (Notes 4 and 12)	15,619,185	49	17,734,336	49	14,462,901	44
Property, plant and equipment (Notes 4, 13 and 29)	1,859,092	6	1,758,753	5	1,750,848	5
Computer Software (Notes 4 and 14)	11,205	-	12,346	-	9,849	-
Deferred tax assets (Note 4)	166,782	-	164,709	-	176,229	1
Other non-current assets (Notes 15 and 29)	395,045	1	573,443	1	636,320	2
Total non-current assets	18,051,309	56	20,243,587	55	17,036,147	52
<b>TOTAL</b>	<b>\$ 31,999,666</b>	<b>100</b>	<b>\$ 36,506,547</b>	<b>100</b>	<b>\$ 32,712,426</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 16)	\$ 3,630,000	11	\$ 3,630,000	10	\$ 2,630,000	8
Notes payable	185,000	1	-	-	-	-
Trade payables	128,588	-	122,244	-	71,862	-
Trade payables - related parties (Note 29)	1,449,592	4	565,471	2	929,537	3
Other payables (Note 17)	833,685	3	882,601	2	835,421	3
Current tax liabilities (Note 4)	297,600	1	977,135	3	983,065	3
Provisions (Notes 4 and 18)	187,441	1	172,054	-	155,560	-
Long-term liabilities - current portion (Note 16)	-	-	-	-	1,000,000	3
Other current liabilities (Note 19)	736,492	2	19,698	-	22,910	-
Total current liabilities	7,448,398	23	6,369,203	17	6,628,355	20
<b>NON-CURRENT LIABILITIES</b>						
Provisions (Notes 4 and 18)	159,828	1	86,282	-	82,509	-
Credit balance of investments accounted for using equity method (Notes 4 and 12)	19,796	-	22,141	-	-	-
Net defined benefit liabilities (Notes 4 and 20)	533,847	2	546,327	2	546,317	2
Deferred tax liabilities (Note 4)	2,394,348	7	2,552,082	7	2,081,889	7
Total non-current liabilities	3,107,819	10	3,206,832	9	2,710,715	9
Total liabilities	10,556,217	33	9,576,035	26	9,339,070	29
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	10	3,000,000	8	3,000,000	9
Capital surplus	6,129,405	19	6,129,405	17	6,129,405	19
Retained earnings						
Legal reserve	3,640,263	11	2,987,887	8	2,987,887	9
Special reserve	788,877	3	788,877	2	788,877	2
Unappropriated earnings	6,221,100	19	12,607,444	35	10,002,005	31
Total retained earnings	10,650,240	33	16,384,208	45	13,778,769	42
Other equity	1,663,804	5	1,416,899	4	465,182	1
Total equity	21,443,449	67	26,930,512	74	23,373,356	71
<b>TOTAL</b>	<b>\$ 31,999,666</b>	<b>100</b>	<b>\$ 36,506,547</b>	<b>100</b>	<b>\$ 32,712,426</b>	<b>100</b>

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

(With Deloitte & Touche review report dated November 6, 2015)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 29)								
Sales (Note 4)	\$ 7,873,927	100	\$ 8,097,969	100	\$ 26,557,256	100	\$ 26,341,376	100
Service revenue (Note 4)	2,486	-	138	-	7,392	-	7,832	-
Other operating revenue	<u>12,860</u>	-	<u>12,496</u>	-	<u>28,981</u>	-	<u>38,116</u>	-
Total operating revenue	<u>7,889,273</u>	<u>100</u>	<u>8,110,603</u>	<u>100</u>	<u>26,593,629</u>	<u>100</u>	<u>26,387,324</u>	<u>100</u>
OPERATING COSTS								
Cost of goods sold (Notes 9, 22 and 29)	<u>6,718,438</u>	<u>85</u>	<u>7,004,498</u>	<u>86</u>	<u>22,539,313</u>	<u>85</u>	<u>23,080,047</u>	<u>88</u>
GROSS PROFIT	<u>1,170,835</u>	<u>15</u>	<u>1,106,105</u>	<u>14</u>	<u>4,054,316</u>	<u>15</u>	<u>3,307,277</u>	<u>12</u>
OPERATING EXPENSES (Notes 20, 22 and 29)								
Selling and marketing expenses	727,247	9	607,130	8	2,347,599	9	1,992,112	7
General and administrative expenses	96,381	1	82,723	1	339,793	1	289,582	1
Research and development expenses	<u>121,297</u>	<u>2</u>	<u>168,861</u>	<u>2</u>	<u>387,031</u>	<u>1</u>	<u>429,202</u>	<u>2</u>
Total operating expenses	<u>944,925</u>	<u>12</u>	<u>858,714</u>	<u>11</u>	<u>3,074,423</u>	<u>11</u>	<u>2,710,896</u>	<u>10</u>
OTHER INCOME AND EXPENSES (Notes 22 and 29)	<u>(903)</u>	-	<u>(30)</u>	-	<u>(1,231)</u>	-	<u>1,131</u>	-
PROFIT FROM OPERATIONS	<u>225,007</u>	<u>3</u>	<u>247,361</u>	<u>3</u>	<u>978,662</u>	<u>4</u>	<u>597,512</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES								
Shares of the profit of associates	933,291	12	1,300,848	16	3,177,245	12	4,107,970	16
Interest income	136,979	1	90,141	1	306,855	1	315,820	1
Gain (loss) on disposal of investment, net (Note 22)	6,495	-	(802)	-	890	-	6,472	-
Other revenue (Note 29)	147	-	1,670	-	874	-	2,827	-
Foreign exchange (loss) gain, net (Note 22)	(257,131)	(3)	115,699	2	(525,271)	(2)	(125,517)	(1)
Interest expenses (Note 29)	(9,175)	-	(11,051)	-	(27,347)	-	(33,040)	-
Overseas business expenses (Note 29)	(3,627)	-	(3,135)	-	(11,106)	-	(14,230)	-
(Loss) gain from valuation of financial assets, net	(2,795)	-	(872)	-	14,626	-	4,209	-
Other losses (Note 29)	<u>(220)</u>	-	<u>(154)</u>	-	<u>(616)</u>	-	<u>(940)</u>	-
Total non-operating income and expenses	<u>803,964</u>	<u>10</u>	<u>1,492,344</u>	<u>19</u>	<u>2,936,150</u>	<u>11</u>	<u>4,263,571</u>	<u>16</u>
PROFIT BEFORE TAX	1,028,971	13	1,739,705	22	3,914,812	15	4,861,083	18
INCOME TAX EXPENSES (Notes 4 and 23)	<u>174,163</u>	<u>2</u>	<u>296,083</u>	<u>4</u>	<u>648,548</u>	<u>3</u>	<u>941,929</u>	<u>3</u>
NET PROFIT FOR THE PERIOD	<u>854,808</u>	<u>11</u>	<u>1,443,622</u>	<u>18</u>	<u>3,266,264</u>	<u>12</u>	<u>3,919,154</u>	<u>15</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Share of the other comprehensive income of associates accounted for using equity method	\$ (24)	-	\$ -	-	\$ (283)	-	\$ -	-
Remeasurement of defined benefit plans	(38)	-	(36)	-	4	-	(23)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	10	-	6	-	47	-	4	-
	(52)	-	(30)	-	(232)	-	(19)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	839,550	10	359,166	4	246,905	1	254,744	1
Other comprehensive income for the period, net of income tax	839,498	10	359,136	4	246,673	1	254,725	1
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,694,306</u>	<u>21</u>	<u>\$ 1,802,758</u>	<u>22</u>	<u>\$ 3,512,937</u>	<u>13</u>	<u>\$ 4,173,879</u>	<u>16</u>
NET PROFIT ATTRIBUTABLE TO:								
Owner of the Company	<u>\$ 854,803</u>	<u>11</u>	<u>\$ 1,443,622</u>	<u>18</u>	<u>\$ 3,266,264</u>	<u>12</u>	<u>\$ 3,919,154</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	<u>\$ 1,694,306</u>	<u>21</u>	<u>\$ 1,802,758</u>	<u>22</u>	<u>\$ 3,512,937</u>	<u>13</u>	<u>\$ 4,173,879</u>	<u>16</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 2.85</u>		<u>\$ 4.81</u>		<u>\$ 10.89</u>		<u>\$ 13.06</u>	
Diluted	<u>\$ 2.85</u>		<u>\$ 4.81</u>		<u>\$ 10.88</u>		<u>\$ 13.06</u>	

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

(With Deloitte & Touche review report dated November 6, 2015)

(Concluded)

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

## **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY** (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share) (Reviewed, Not Audited)

	Share Capital	Capital Surplus (Note 21)	Retained Earnings (Notes 21 and 23)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2014	\$ 3,000,000	\$ 6,129,405	\$ 2,257,887	\$ 1,228,789	\$ 12,213,958	\$ 210,438	\$ 25,040,477
Appropriation of 2013 earnings	-	-	730,000	-	(730,000)	-	-
Legal reserve	-	-	-	(439,912)	439,912	-	-
Special reserve	-	-	-	-	(5,841,000)	-	(5,841,000)
Cash dividend distributed by the Company - \$19.47 per share	-	-	-	-	-	-	-
	-	-	730,000	(439,912)	(6,131,088)	-	(5,841,000)
Net profit for the nine months ended September 30, 2014	-	-	-	-	3,919,154	-	3,919,154
Other comprehensive income for the nine months ended September 30, 2014, net of income tax	-	-	-	-	(19)	254,744	254,725
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	3,919,135	254,744	4,173,879
BALANCE, SEPTEMBER 30, 2014	\$ 3,000,000	\$ 6,129,405	\$ 2,987,887	\$ 788,877	\$ 10,002,005	\$ 465,182	\$ 23,373,356
BALANCE, JANUARY 1, 2015	\$ 3,000,000	\$ 6,129,405	\$ 2,987,887	\$ 788,877	\$ 12,607,444	\$ 1,416,899	\$ 26,930,512
Appropriation of 2014 earnings	-	-	652,376	-	(652,376)	-	-
Legal reserve	-	-	-	-	(9,000,000)	-	(9,000,000)
Cash dividend distributed by the Company - \$30 per share	-	-	-	-	-	-	-
	-	-	652,376	-	(9,652,376)	-	(9,000,000)
Net profit for the nine months ended September 30, 2015	-	-	-	-	3,266,264	-	3,266,264
Other comprehensive income for the nine months ended September 30, 2015, net of income tax	-	-	-	-	(232)	246,905	246,673
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	3,266,032	246,905	3,512,937
BALANCE, SEPTEMBER 30, 2015	\$ 3,000,000	\$ 6,129,405	\$ 3,640,263	\$ 788,877	\$ 6,221,100	\$ 1,663,804	\$ 21,443,449

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

(With Deloitte & Touche review report dated November 6, 2015)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,914,812	\$ 4,861,083
Adjustments for:		
Depreciation expenses	324,029	348,619
Amortization expenses	4,246	4,158
Gain on financial assets at fair value through profit or loss, net	(14,626)	(4,209)
Interest expense	27,347	33,040
Interest income	(306,855)	(315,820)
Share of the profit of associates	(3,177,245)	(4,107,970)
Loss (gain) on disposal of property, plant and equipment	1,231	(1,131)
Gain on disposal of investment, net	(890)	(6,472)
Foreign exchange loss (gain), net	40,017	(102,963)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(942,885)	(160,199)
Notes receivable	2,000	5
Notes receivable - related parties	(1,657)	203
Trade receivables	4,511	(32,926)
Trade receivables - related parties	(231,119)	(276,834)
Other receivables	3,270	11,899
Inventories	(283,638)	(94,127)
Prepayments	(93,110)	(4,782)
Notes payable	185,000	-
Notes payable - related parties	-	(1,536)
Trade payables	6,344	(55,632)
Trade payables - related parties	759,665	(52,717)
Other payables	(48,788)	177,914
Other current liabilities	716,794	1,491
Deferred revenue	-	(1,643)
Provisions	88,933	(5,868)
Net defined benefit liabilities	(12,476)	(8,795)
Cash generated from operations	964,910	204,788
Interest paid	(27,475)	(33,213)
Income tax paid	(1,574,158)	(1,268,434)
Net cash used in operating activities	(636,723)	(1,096,859)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in other financial assets	1,291,566	6,013,882
Payment for property, plant and equipment (Note 25)	(245,155)	(428,847)
Proceeds from disposal of property, plant and equipment	5,196	4,638
Payments for computer software	(3,105)	(6,120)
Decrease (increase) in other non-current assets	117,214	(403,639)

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2015	2014
Interest received	\$ 380,906	\$ 605,322
Dividends received	<u>4,475,590</u>	<u>2,874,315</u>
Net cash generated from investing activities	<u>6,022,212</u>	<u>8,659,551</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	<u>(9,000,000)</u>	<u>(5,841,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>90,336</u>	<u>166,109</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,524,175)	1,887,801
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,831,865</u>	<u>8,567,899</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,307,690</u>	<u>\$ 10,455,700</u>

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

(With Deloitte & Touche review report dated November 6, 2015)

(Concluded)



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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

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

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on November 6, 2015.

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

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

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

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

#### **New IFRSs in Issue But Not Yet Endorsed by the FSC**

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

IFRS 15 “Revenue from Contracts with Customers”

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

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

The Group provides service-type warranty in addition to the assurance that the product complies with agreed-upon specifications. IFRS 15 requires such service to be considered as a performance obligation. Transaction price allocated to service-type warranty will be recognized as revenue and related costs will be recognized when warranty service is performed. Under current standard, transaction price of the aforementioned transaction is recognized as revenue when products are sold, and a corresponding provision is recognized for the expected warranty cost.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

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

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

##### **Basis of Preparation**

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

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

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

##### **Classification of Current and Non-current Assets and Liabilities**

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

## **Basis of Consolidation**

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

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

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

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

## **Foreign Currencies**

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

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

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

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

## **Inventories**

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

## **Investment in Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor 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 subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

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 by 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 by the equity method has been impaired, the impairment losses are recognized in profit or loss.

### **Property, Plant and Equipment**

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

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

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

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

### **Computer Software**

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

### **Impairment of Assets**

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

### **Financial Instruments**

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

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

a. Financial assets

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

1) Measurement category

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

2) Impairment of financial assets

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

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

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

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

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

### 3) Derecognition of financial assets

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

## b. Financial liabilities

### 1) Subsequent measurement

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

### 2) Derecognition of financial liabilities

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

## Provisions

### a. Inventory purchase commitment

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

### b. Warranties

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

## Revenue Recognition

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

### a. Sale of goods

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

### b. Rendering of services

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

c. Dividend and interest income

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

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

**Employee Benefit**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

c. Termination benefits

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

**Taxation**

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

a. Current tax

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

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



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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's

original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of September 30, 2015, December 31, 2014 and September 30, 2014, the carrying accounts of trade receivables were \$1,556,169 thousand, \$389,408 thousand and \$2,608,249 thousand, respectively.

b. Property, plant and equipment - molds and dies

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

c. Provisions for the expected cost of warranty

The Group calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of provisions for warranty were \$228,991 thousand, \$146,358 thousand and \$141,043 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Group assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of provisions for loss on inventory purchase commitment were \$118,278 thousand, \$111,978 thousand and \$97,026 thousand, respectively.

e. Recognition and measurement of defined benefit plans

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

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2015	December 31, 2014	September 30, 2014
Cash on hand	\$ 20	\$ 20	\$ 20
Checking accounts and demand deposits	770,515	1,184,495	534,253
Foreign currency demand deposits	4,017,849	1,081,033	4,773,914
Cash equivalents			
Foreign currency time deposits	4,315,065	10,559,417	5,140,613
Time deposits	6,900	6,900	6,900
Repurchase agreements collateralized by bonds	<u>197,341</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,307,690</u>	<u>\$ 12,831,865</u>	<u>\$ 10,455,700</u>

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

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

	September 30, 2015	December 31, 2014	September 30, 2014
Demand deposits and time deposits	0.01%-3.10%	0.01%-3.40%	0.01%-3.20%
Repurchase agreements collateralized by bonds	1.50%	-	-

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

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Financial assets at FVTPL - current</u>			
Non-derivative financial assets-Mutual funds	<u>\$ 1,289,433</u>	<u>\$ 331,032</u>	<u>\$ 605,621</u>

#### 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Notes receivable</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 22</u>
<u>Trade receivables</u>	<u>\$ 65,707</u>	<u>\$ 70,218</u>	<u>\$ 74,632</u>
<u>Other receivables</u>			
Dividend receivables	\$ 1,017,817	\$ -	\$ 1,918,693
Interest receivables	7,737	81,788	44,533
Others	<u>11,094</u>	<u>14,364</u>	<u>5,230</u>
	<u>\$ 1,036,648</u>	<u>\$ 96,152</u>	<u>\$ 1,968,456</u>

##### a. Notes receivable

For the notes receivable, there were no past due balances at the end of the reporting period and the Group did not recognize an allowance for impairment loss.

The aging of notes receivable was as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Less than 60 days	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 22</u>

The above aging schedule was based on the invoice date.

b. Trade receivables

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

The aging of receivables was as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
0-60 days	\$ 39,927	\$ 36,875	\$ 44,632
61-90 days	5,643	10,771	12,253
91-120 days	10,540	15,844	13,325
121-180 days	<u>9,597</u>	<u>6,728</u>	<u>4,422</u>
	<u>\$ 65,707</u>	<u>\$ 70,218</u>	<u>\$ 74,632</u>

The above aging schedule was based on the invoice date.

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

	September 30, 2015	December 31, 2014	September 30, 2014
1-60 days	<u>\$ 22,339</u>	<u>\$ 22,720</u>	<u>\$ 18,781</u>

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

c. Other receivables

As of September 30, 2015, December 31, 2014 and September 30, 2014, the other receivables were mainly dividend receivables from the investees:

	September 30, 2015	December 31, 2014	September 30, 2014
Aeolus Automobile Co., Ltd.	<u>\$ 1,017,817</u>	<u>\$ -</u>	<u>\$ 1,918,693</u>

9. INVENTORIES

	September 30, 2015	December 31, 2014	September 30, 2014
Vehicles	\$ 284,762	\$ 1,075	\$ 94,346
Parts	<u>1,615</u>	<u>1,664</u>	<u>1,828</u>
	<u>\$ 286,377</u>	<u>\$ 2,739</u>	<u>\$ 96,174</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2015 was \$6,718,438 thousand, which included warranty cost of \$39,354 thousand and loss on inventory purchase commitment of \$6,288 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2015 was \$22,539,313 thousand, which included warranty cost of \$157,214 thousand and loss on inventory purchase commitment of \$6,300 thousand. The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2014 was \$7,004,498 thousand, which included warranty cost of \$16,365 thousand and reversal of loss on inventory purchase commitment of \$764 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2014 was \$23,080,047 thousand, which included warranty cost of \$48,137 thousand and reversal of loss on inventory purchase commitment of \$12,786 thousand.

## 10. OTHER FINANCIAL ASSETS

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

	September 30, 2015	December 31, 2014	September 30, 2014
Time deposit with original maturity of more than three months	2.50%	3.25%-3.75%	3.30%-4.40%

## 11. SUBSIDIARY

Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		
			September 30, 2015	December 31, 2014	September 30, 2014
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00	100.00

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Material associate</u>			
Guangzhou Aeolus Automobile Co., Ltd.	\$ 12,568,938	\$ 12,650,417	\$ 9,762,229
<u>Associates that are not individually material</u>			
Aeolus Xiangyang Automobile Co., Ltd.	1,637,156	2,716,828	2,487,654
Aeolus Automobile Co., Ltd.	816,473	1,804,815	1,722,302
Shenzhen Lan You Technology Co., Ltd.	596,618	562,276	485,016
Dong Feng Yulon Used Cars Co., Ltd.	(19,796)	(22,141)	5,700
	3,030,451	5,061,778	4,700,672
Add: Credit balance of investments accounted for using equity method	19,796	22,141	-
	3,050,247	5,083,919	4,700,672
	<u>\$ 15,619,185</u>	<u>\$ 17,734,336</u>	<u>\$ 14,462,901</u>

a. Material associate

At the end of the reporting periods, the proportions of ownership in associate held by the Group were as follows:

	<b>Proportion of Ownership and Voting Rights</b>		
	<b>September 30, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
Guangzhou Aeolus Automobile Co., Ltd.	40%	40%	40%

Refer to Table 5 “Information on Investees” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associates.

Summarized financial information in respect of the Group’s material associate is set out below. The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs purposes.

Guangzhou Aeolus Automobile Co., Ltd.

	<b>September 30, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
Current assets	\$ 8,597,067	\$ 8,447,475	\$ 6,523,125
Non-current assets	38,615,771	39,879,586	38,964,423
Current liabilities	(14,905,459)	(15,789,461)	(16,637,831)
Non-current liabilities	<u>(885,033)</u>	<u>(911,556)</u>	<u>(4,444,144)</u>
Equity	<u>\$ 31,422,346</u>	<u>\$ 31,626,044</u>	<u>\$ 24,405,573</u>
Equity attributable to the Group	<u>\$ 12,568,938</u>	<u>\$ 12,650,417</u>	<u>\$ 9,762,229</u>
Carrying amount	<u>\$ 12,568,938</u>	<u>\$ 12,650,417</u>	<u>\$ 9,762,229</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenue	<u>\$ 4,954,904</u>	<u>\$ 6,435,259</u>	<u>\$ 18,722,955</u>	<u>\$ 20,232,133</u>
Net profit for the period	<u>\$ 1,905,453</u>	<u>\$ 3,198,848</u>	<u>\$ 6,834,985</u>	<u>\$ 9,707,596</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ 2,841,940</u>	<u>\$ 2,916,518</u>	<u>\$ 2,841,940</u>	<u>\$ 2,916,518</u>

b. Aggregate information of associates that are not individually material

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
The Group’s share of:				
Net profit for the period	\$ 171,110	\$ 62,168	\$ 443,251	\$ 231,624
Other comprehensive income (loss)	<u>(24)</u>	<u>-</u>	<u>(283)</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 171,086</u>	<u>\$ 62,168</u>	<u>\$ 442,968</u>	<u>\$ 231,624</u>

c. Other information

The amount recognized as share of profit of associates on equity method for the three months and the nine months ended September 30, 2015 and 2014 were based on the financial statements for the same periods, which were reviewed by independent accountants.

Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB196,980 thousand (\$1,017,817 thousand) in June 2015. As of September 30, 2015, the cash dividends mentioned above were not yet received by Jetford, Inc., and accounted as other receivables.

### 13. PROPERTY, PLANT, AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
<u>Cost</u>									
Balance at January 1, 2014	\$ 3,618,909	\$ 723,152	\$ 81,893	\$ 75,533	\$ 8,595	\$ 18,529	\$ 6,265	\$ 5,694	\$ 4,538,570
Additions	249,659	88,350	1,276	8,565	6,520	-	-	-	354,370
Disposals	-	-	(8,450)	(238)	(5,852)	-	(1,755)	-	(16,295)
Balance at September 30, 2014	<u>\$ 3,868,568</u>	<u>\$ 811,502</u>	<u>\$ 74,719</u>	<u>\$ 83,860</u>	<u>\$ 9,263</u>	<u>\$ 18,529</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,876,645</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2014	\$ (2,283,974)	\$ (349,445)	\$ (66,883)	\$ (61,780)	\$ (4,780)	\$ (16,082)	\$ (1,739)	\$ (5,283)	\$ (2,789,966)
Depreciation expense	(264,422)	(73,265)	(4,804)	(4,040)	(726)	(328)	(928)	(106)	(348,619)
Disposals	-	-	8,414	235	2,384	-	1,755	-	12,788
Balance at September 30, 2014	<u>\$ (2,548,396)</u>	<u>\$ (422,710)</u>	<u>\$ (63,273)</u>	<u>\$ (65,585)</u>	<u>\$ (3,122)</u>	<u>\$ (16,410)</u>	<u>\$ (912)</u>	<u>\$ (5,389)</u>	<u>\$ (3,125,797)</u>
Carrying value, net, September 30, 2014	<u>\$ 1,320,172</u>	<u>\$ 388,792</u>	<u>\$ 11,446</u>	<u>\$ 18,275</u>	<u>\$ 6,141</u>	<u>\$ 2,119</u>	<u>\$ 3,598</u>	<u>\$ 305</u>	<u>\$ 1,750,848</u>
<u>Cost</u>									
Balance at January 1, 2015	\$ 3,953,870	\$ 828,124	\$ 75,674	\$ 85,297	\$ 10,862	\$ 18,384	\$ 4,510	\$ 5,694	\$ 4,982,415
Additions	343,420	26,191	23	51,103	5,665	-	4,393	-	430,795
Disposals	-	-	-	(460)	(6,520)	(2,600)	-	-	(9,580)
Balance at September 30, 2015	<u>\$ 4,297,290</u>	<u>\$ 854,315</u>	<u>\$ 75,697</u>	<u>\$ 135,940</u>	<u>\$ 10,007</u>	<u>\$ 15,784</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,403,630</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2015	\$ (2,622,536)	\$ (443,092)	\$ (64,712)	\$ (66,978)	\$ (3,427)	\$ (16,369)	\$ (1,135)	\$ (5,413)	\$ (3,223,662)
Depreciation expense	(246,764)	(63,387)	(3,397)	(8,621)	(668)	(306)	(816)	(70)	(324,029)
Disposals	-	-	-	419	1,001	1,733	-	-	3,153
Balance at September 30, 2015	<u>\$ (2,869,300)</u>	<u>\$ (506,479)</u>	<u>\$ (68,109)</u>	<u>\$ (75,180)</u>	<u>\$ (3,094)</u>	<u>\$ (14,942)</u>	<u>\$ (1,951)</u>	<u>\$ (5,483)</u>	<u>\$ (3,544,538)</u>
Carrying value, net, January 1, 2015	<u>\$ 1,331,334</u>	<u>\$ 385,032</u>	<u>\$ 10,962</u>	<u>\$ 18,319</u>	<u>\$ 7,435</u>	<u>\$ 2,015</u>	<u>\$ 3,375</u>	<u>\$ 281</u>	<u>\$ 1,758,753</u>
Carrying value, net, September 30, 2015	<u>\$ 1,427,990</u>	<u>\$ 347,836</u>	<u>\$ 7,588</u>	<u>\$ 60,760</u>	<u>\$ 6,913</u>	<u>\$ 842</u>	<u>\$ 6,952</u>	<u>\$ 211</u>	<u>\$ 1,859,092</u>

There were no signs of impairment of assets for the nine months ended September 30, 2015 and 2014; therefore, the Group did not assess for impairment.

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

Computer equipment	2 to 5 years
Other equipment	
Powered equipment	15 years
Experimental equipment	3 to 8 years

(Continued)

Office and communication equipment	3 years
Other equipment	1 to 10 years
Transportation equipment	4 to 5 years
Machinery and equipment	3 to 10 years
Leasehold improvement	3 to 5 years
Tools	2 to 5 years
	(Concluded)

#### 14. COMPUTER SOFTWARE

	Amount
<u>Cost</u>	
Balance, January 1, 2014	\$ 22,451
Additions	6,120
Disposals	<u>(13,640)</u>
Balance, September 30, 2014	<u>\$ 14,931</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(4,158)
Disposals	<u>13,640</u>
Balance, September 30, 2014	<u>\$ (5,082)</u>
Carrying amounts, net at September 30, 2014	<u>\$ 9,849</u>
<u>Cost</u>	
Balance, January 1, 2015	\$ 18,724
Additions	3,105
Disposals	<u>(2,825)</u>
Balance, September 30, 2015	<u>\$ 19,004</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2015	\$ (6,378)
Amortization expense	(4,246)
Disposals	<u>2,825</u>
Balance, September 30, 2015	<u>\$ (7,799)</u>
Carrying amounts, net at January 1, 2015	<u>\$ 12,346</u>
Carrying amounts, net at September 30, 2015	<u>\$ 11,205</u>



## 15. OTHER NON-CURRENT ASSETS

	September 30, 2015	December 31, 2014	September 30, 2014
Refundable deposits	\$ 382,081	\$ 538,131	\$ 618,478
Prepayment for equipment	<u>12,964</u>	<u>35,312</u>	<u>17,842</u>
	<u>\$ 395,045</u>	<u>\$ 573,443</u>	<u>\$ 636,320</u>

## 16. SHORT-TERM BORROWINGS

### a. Short-term borrowings

	September 30, 2015	December 31, 2014	September 30, 2014
Unsecured borrowings	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>	<u>\$ 2,630,000</u>
Ranges of interest rate	0.96%-1.11%	0.96%-1.10%	0.96%-1.05%

### b. Long-term borrowings

	September 30, 2015	December 31, 2014	September 30, 2014
Unsecured borrowings	\$ -	\$ -	\$ 1,000,000
Less: Current portion	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest rate	-	-	1.35%

The interest payments of the long-term borrowing are made monthly. The principal of the long-term borrowings is repayable upon maturity. The Company made early repayment in October 2014.

## 17. OTHER PAYABLES

	September 30, 2015	December 31, 2014	September 30, 2014
Advertising and promotion fees	\$ 492,815	\$ 296,081	\$ 448,853
Salaries and bonus	276,061	156,097	283,339
Taxes	5,435	230,936	-
Others	<u>59,374</u>	<u>199,487</u>	<u>103,229</u>
	<u>\$ 833,685</u>	<u>\$ 882,601</u>	<u>\$ 835,421</u>

## 18. PROVISIONS

	September 30, 2015	December 31, 2014	September 30, 2014
Current			
Inventory purchase commitment	\$ 118,278	\$ 111,978	\$ 97,026
Warranties	<u>69,163</u>	<u>60,076</u>	<u>58,534</u>
	<u>\$ 187,441</u>	<u>\$ 172,054</u>	<u>\$ 155,560</u>
Non-current			
Warranties	<u>\$ 159,828</u>	<u>\$ 86,282</u>	<u>\$ 82,509</u>
	<b>Inventory Purchase Commitment</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2014	\$ 109,812	\$ 134,125	\$ 243,937
Additional provisions recognized	-	48,137	48,137
Reversal	(12,786)	-	(12,786)
Paid	<u>-</u>	<u>(41,219)</u>	<u>(41,219)</u>
Balance at September 30, 2014	<u>\$ 97,026</u>	<u>\$ 141,043</u>	<u>\$ 238,069</u>
Balance at January 1, 2015	\$ 111,978	\$ 146,358	\$ 258,336
Additional provisions recognized	6,300	157,214	163,514
Paid	<u>-</u>	<u>(74,581)</u>	<u>(74,581)</u>
Balance at September 30, 2015	<u>\$ 118,278</u>	<u>\$ 228,991</u>	<u>\$ 347,269</u>

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

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

## 19. OTHER CURRENT LIABILITIES

	September 30, 2015	December 31, 2014	September 30, 2014
Withholding	\$ 719,932	\$ 1,716	\$ 1,823
Receipts in advance	7,823	15,156	9,540
Others	<u>8,737</u>	<u>2,826</u>	<u>11,547</u>
	<u>\$ 736,492</u>	<u>\$ 19,698</u>	<u>\$ 22,910</u>

As of September 30, 2015, withholding tax was mainly taxes withheld from dividends paid to foreign shareholders.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

The total expense recognized in profit or loss for the nine months ended September 30, 2015 and 2014 were \$10,029 thousand and \$9,604 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Selling and marketing expenses	\$ 1,109	\$ 1,042	\$ 3,299	\$ 3,045
General and administrative expenses	1,061	1,017	3,267	3,076
Research and development expenses	<u>1,163</u>	<u>1,158</u>	<u>3,463</u>	<u>3,483</u>
	<u>\$ 3,333</u>	<u>\$ 3,217</u>	<u>\$ 10,029</u>	<u>\$ 9,604</u>

As of September 30, 2015, the subsidiaries had no pension plan for employees.

### b. Defined benefit plan

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Selling and marketing expenses	\$ 1,146	\$ 1,173	\$ 7,155	\$ 3,331
General and administrative expenses	1,332	2,136	8,943	6,611
Research and development expenses	<u>1,222</u>	<u>1,203</u>	<u>7,400</u>	<u>3,592</u>
	<u>\$ 3,700</u>	<u>\$ 4,512</u>	<u>\$ 23,498</u>	<u>\$ 13,534</u>

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

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

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

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

	<b>December 31, 2014</b>
Discount rate(s)	1.75%
Expected rate(s) of salary increase	2.50%
	<b>December 31, 2014</b>
The average duration of the defined benefit obligation	10.7 years

## 21. EQUITY

### a. Capital surplus

	<b>September 30, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
Excess from spin-off	\$ 5,986,507	\$ 5,986,507	\$ 5,986,507
Generated from long-term investment	<u>142,898</u>	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

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

b. Retained earnings and dividend policy

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

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The Company expects to make consequential amendments to the Company's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting. For information about the accrual basis of the employee's compensation for the three months ended September 30, 2015 and 2014, and the nine months ended September 30, 2015 and 2014, and the actual appropriations for the years ended December 31, 2014 and 2013, please refer to d. employee benefits expense in Note 22.

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

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

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

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

## 22. NET PROFIT

### a. Other operating income and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
(Loss) gain on disposal of property, plant and equipment, net	\$ <u>(903)</u>	\$ <u>(30)</u>	\$ <u>(1,231)</u>	\$ <u>1,131</u>

### b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Property, plant and equipment	\$ 108,867	\$ 105,957	\$ 324,029	\$ 348,619
Computer software	<u>1,390</u>	<u>950</u>	<u>4,246</u>	<u>4,158</u>
	<u>\$ 110,257</u>	<u>\$ 106,907</u>	<u>\$ 328,275</u>	<u>\$ 352,777</u>
Depreciation				
Operating cost	\$ 103,448	\$ 102,375	\$ 310,151	\$ 337,687
Operating expenses	<u>5,419</u>	<u>3,582</u>	<u>13,878</u>	<u>10,932</u>
	<u>\$ 108,867</u>	<u>\$ 105,957</u>	<u>\$ 324,029</u>	<u>\$ 348,619</u>
Amortization				
Operating expenses	<u>\$ 1,390</u>	<u>\$ 950</u>	<u>\$ 4,246</u>	<u>\$ 4,158</u>

### c. Technical cooperation agreement

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Operating cost	<u>\$ 120,267</u>	<u>\$ 119,587</u>	<u>\$ 414,656</u>	<u>\$ 415,296</u>

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

The TCA requires the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax.

The TCA requires the Company to pay Autech Japan, Inc. technical service fees mostly based on development expenses added royalty.

d. Employee benefit expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Post-employment benefit (Note 20)				
Defined contribution plans	\$ 3,333	\$ 3,217	\$ 10,029	\$ 9,604
Defined benefit plans	<u>3,700</u>	<u>4,512</u>	<u>23,498</u>	<u>13,534</u>
	<u>7,033</u>	<u>7,729</u>	<u>33,527</u>	<u>23,138</u>
Termination benefit	975	975	2,925	2,925
Labor and health insurance	9,473	8,463	29,135	28,675
Other employee benefit	<u>145,995</u>	<u>130,516</u>	<u>470,731</u>	<u>430,858</u>
	<u>156,443</u>	<u>139,954</u>	<u>502,791</u>	<u>462,458</u>
Total employee benefit expenses	<u>\$ 163,476</u>	<u>\$ 147,683</u>	<u>\$ 536,318</u>	<u>\$ 485,596</u>
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
An analysis of employee benefits expense				
Operating cost	<u>\$ 149</u>	<u>\$ 150</u>	<u>\$ 475</u>	<u>\$ 446</u>
Operating expenses	<u>\$ 162,944</u>	<u>\$ 147,178</u>	<u>\$ 534,663</u>	<u>\$ 484,378</u>
Non-operating expenses	<u>\$ 383</u>	<u>\$ 355</u>	<u>\$ 1,180</u>	<u>\$ 772</u>

The number of the Group's employees for nine months ended September 30, 2015 and 2014 were 419 and 422.

Under the Company Act as amended in May 2015, the Company's Articles of Incorporation should stipulate a fixed amount or ratio of annual profit to be distributed as employees' compensation.

For the three months ended September 30, 2015, and the nine months ended September 30, 2015, the employees' compensation was \$7,875 thousand and \$23,625 thousand, respectively. The employees' compensation represented 0.76% and 0.60%, respectively, of net profit before income tax and employees' compensation.

For the three months ended September 30, 2014, and the nine months ended September 30, 2014, the bonus to employees was \$7,875 thousand and \$23,625 thousand, respectively. The bonus to employees represented 0.61% and 0.67%, respectively, of net income (net of the bonus).

After the end of the year, if the actual amounts subsequently resolved by the board of directors have significant difference from the proposed amounts, the adjustments to expenses are recorded in the year of recognition. At the date of stockholders' resolution, if the amount differs from the amount resolved by the board of directors, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. Share bonuses were resolved to be distributed to employees at the shareholders' meetings. The number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

The bonus to employees for 2014 and 2013 approved in the shareholders' meetings on June 30, 2015 and June 23, 2014, respectively, were as follows:

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

The approved amount of the bonus to employees on June 30, 2015 and June 23, 2014 was not different from the accrual amount reflected in the financial statements for the year ended December 31, 2014 and 2013.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
Foreign exchange gain	\$ 28,169	\$ 261,317	\$ 327,170	\$ 539,896
Foreign exchange loss	<u>(285,300)</u>	<u>(145,618)</u>	<u>(852,441)</u>	<u>(665,413)</u>
Net (loss) profit	<u>\$ (257,131)</u>	<u>\$ 115,699</u>	<u>\$ (525,271)</u>	<u>\$ (125,517)</u>

f. Gain or loss on sale of investment

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
Total gain on sale of investment	\$ 8,828	\$ 939	\$ 18,127	\$ 8,213
Total loss on sale of investment	<u>(2,333)</u>	<u>(1,741)</u>	<u>(17,237)</u>	<u>(1,741)</u>
Net profit (loss)	<u>\$ 6,495</u>	<u>\$ (802)</u>	<u>\$ 890</u>	<u>\$ 6,472</u>

## 23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
Current tax				
In respect of current period	\$ 700,026	\$ 1,216,414	\$ 816,050	\$ 2,207,241
Income tax on unappropriated earnings	-	-	-	116,959
In respect of prior periods	(967)	(230)	(7,742)	(230)
Deferred tax				
In respect of current period	<u>(524,896)</u>	<u>(920,101)</u>	<u>(159,760)</u>	<u>(1,382,041)</u>
Income tax expense recognized in profit or loss	<u>\$ 174,163</u>	<u>\$ 296,083</u>	<u>\$ 648,548</u>	<u>\$ 941,929</u>



The applicable tax rate for the Company based in ROC is 17%. 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<u>Deferred tax</u>				
Current				
Share of the other comprehensive income of associates accounted for using equity method	\$ 3	\$ -	\$ 47	\$ -
Actuarial gains on defined benefit plan	<u>7</u>	<u>6</u>	<u>-</u>	<u>4</u>
Recognized in other comprehensive income	<u>\$ 10</u>	<u>\$ 6</u>	<u>\$ 47</u>	<u>\$ 4</u>

c. Integrated income tax

	<b>September 30, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 6,221,100</u>	<u>\$ 12,607,444</u>	<u>\$ 10,002,005</u>
Imputation credit account ("ICA")	<u>\$ 456,320</u>	<u>\$ 881,287</u>	<u>\$ 405,189</u>

	<b>For the Nine Months Ended September 30</b>	
	<b>2015 (Actual)</b>	<b>2014 (Actual)</b>
Creditable ratio for distribution	<u>15.34%</u>	<u>6.67%</u>

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution.

d. Income tax assessment

Income tax returns through 2013, have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

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

### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 854,808</u>	<u>\$ 1,443,622</u>	<u>\$ 3,266,264</u>	<u>\$ 3,919,154</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Weighted-average number of ordinary shares in computation of basic earnings per share	300,000	300,000	300,000	300,000
Effect of potential dilutive ordinary shares:				
Bonus issue to employee	<u>110</u>	<u>28</u>	<u>233</u>	<u>132</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,110</u>	<u>300,028</u>	<u>300,233</u>	<u>300,132</u>

The Group may settle bonuses paid to employees in cash or shares; thus, the Group assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 25. NON-CASH TRANSACTIONS

For the nine months ended September 30, 2015 and 2014, the Group entered into the following non-cash investing activities:

	For the Nine Months Ended September 30	
	2015	2014
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 369,611	\$ 338,009
(Increase) decrease in trade payables	<u>(124,456)</u>	<u>90,838</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 245,155</u>	<u>\$ 428,847</u>

## 26. OPERATING LEASE AGREEMENTS

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

	September 30, 2015	December 31, 2014	September 30, 2014
No later than 1 year	\$ 4,828	\$ 2,508	\$ 2,508
Later than 1 year and not later than 5 years	<u>6,706</u>	<u>3,971</u>	<u>4,598</u>
	<u>\$ 11,534</u>	<u>\$ 6,479</u>	<u>\$ 7,106</u>

## 27. CAPITAL MANAGEMENT

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

## 28. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

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

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

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

##### a) Fair value hierarchy

September 30, 2015

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

December 31, 2014

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

September 30, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	\$ 605,621	\$ -	\$ -	\$ 605,621

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

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

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

b. Categories of financial instruments

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Held for trading	\$ 1,289,433	\$ 331,032	\$ 605,621
Loans and receivables (Note 1)	11,770,387	15,420,139	14,671,395
<u>Financial liabilities</u>			
Amortized cost (Note 2)	5,924,604	4,876,724	5,152,565

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

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

c. 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, manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	<b>RMB</b>		<b>U.S. Dollar</b>		<b>Japan Yen</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Gain (loss)	\$ (526,222)	\$ (565,793)	\$ (5,907)	\$ (37,818)	\$ (375)	\$ (1,816)

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

b) Interest rate risk

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

	<b>September 30, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
Fair value interest rate risk			
Financial assets	\$ 3,432,267	\$ 12,796,831	\$ 6,759,971
Financial liabilities	500,000	500,000	1,630,000
Cash flows interest rate risk			
Financial assets	6,781,931	2,233,880	5,303,155
Financial liabilities	3,130,000	3,130,000	2,000,000

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2015 and 2014 would increase/decrease by \$6,847 thousand and \$6,193 thousand, which were mainly attributable to the Group's exposure to interest rates on its demand deposits, variable-rate bank time deposits and borrowings.

## 2) Credit risk

The Group's concentration of credit risk of 66%, 46% and 69% in total trade receivables as of September 30, 2015, December 31, 2014 and September 30, 2014, 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 September 30, 2015, December 31, 2014 and September 30, 2014, the available unutilized borrowing facilities were \$2,070,000 thousand, \$2,070,000 thousand and \$2,070,000 thousand, respectively.

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

### September 30, 2015

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

December 31, 2014

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,018,924	\$ 67,421	\$ 159,019
Floating interest rate instrument	0.96	1,133,555	2,000,925	-
Fixed interest rate instrument	1.10	<u>500,135</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,652,614</u>	<u>\$ 2,068,346</u>	<u>\$ 159,019</u>

September 30, 2014

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 to 12 Months
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,310,645	\$ 70,805	\$ 139,822
Floating interest rate instrument	0.96	1,600	2,001,030	-
Fixed interest rate instrument	1.10	<u>632,783</u>	<u>2,250</u>	<u>1,008,572</u>
		<u>\$ 1,945,028</u>	<u>\$ 2,074,085</u>	<u>\$ 1,148,394</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

<u>Related Party</u>	<u>Relationship with the Group</u>
Investors that have significant influence over the Group	
Nissan Motor Corporation ("Nissan")	Equity-method investor of the Company
Yulon Motor Co., Ltd. ("Yulon")	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Asia Pacific Pte, Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia ("NMI")	Same as above

(Continued)

Related Party	Relationship with the Group
Nissan Motor India Private Limited	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distribution Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Philippines Inc.	Same as above
Autech Japan, Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Zhenzhou Nissan Automobile Co., Ltd.	Same as above
Allied Engineering Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Subsidiary of Yulon
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Yulon Energy Service Co., Ltd.	Same as above
Yulon China Investment Limited	Same as above
Univation Motor Philippines, Inc. (Nissan Motor Philippines, Inc.)	Substantial related party of Yulon
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Substantial related party of Yulon
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Le-Wen Co., Ltd	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.

(Continued)



Related Party	Relationship with the Group
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
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Same as above
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Y.M. Hi-Tech Industry Ltd.	Subsidiary of China Ogihara Corporation
Carnival Textile Industrial Corporation	Substantial related party of the Company
DFS Industrial Group Co., Ltd.	Substantial related party of Dongfeng Nissan Passenger Vehicle Co.

(Concluded)

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

1) Trading transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
<u>Sales</u>				
Investors that have significant influence over the Group	\$ 8,463	\$ 5,383	\$ 16,339	\$ 9,543
Other parties	<u>7,727,355</u>	<u>7,957,648</u>	<u>26,155,627</u>	<u>25,897,930</u>
	<u>\$ 7,735,818</u>	<u>\$ 7,963,031</u>	<u>\$ 26,171,966</u>	<u>\$ 25,907,473</u>
<u>Service revenue</u>				
Investors that have significant influence over the Group	\$ 2,486	\$ 138	\$ 7,392	\$ 1,176
Other parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,656</u>
	<u>\$ 2,486</u>	<u>\$ 138</u>	<u>\$ 7,392</u>	<u>\$ 7,832</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<u>Other operating revenue</u>				
Investors that have significant influence over the Group	\$ 5,335	\$ 3,778	\$ 8,125	\$ 12,772
Other parties	<u>5,653</u>	<u>17,795</u>	<u>15,967</u>	<u>21,279</u>
	<u>\$ 10,988</u>	<u>\$ 21,573</u>	<u>\$ 24,092</u>	<u>\$ 34,051</u>

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

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<u>Operating cost - purchase</u>				
Investors that have significant influence over the Group	\$ 6,436,452	\$ 6,704,674	\$ 21,613,807	\$ 22,061,940
Other parties	<u>8,338</u>	<u>60,709</u>	<u>29,618</u>	<u>97,208</u>
	<u>\$ 6,444,790</u>	<u>\$ 6,765,383</u>	<u>\$ 21,643,425</u>	<u>\$ 22,159,148</u>

Operating cost - TCA

Investors that have significant influence over the Group	\$ 118,383	\$ 119,587	\$ 398,018	\$ 415,296
Other parties	<u>1,884</u>	<u>-</u>	<u>16,638</u>	<u>-</u>
	<u>\$ 120,267</u>	<u>\$ 119,587</u>	<u>\$ 414,656</u>	<u>\$ 415,296</u>

Operating expense - rental

Investors that have significant influence over the Group	\$ 1,618	\$ 3,675	\$ 9,998	\$ 9,458
Other parties	<u>3,244</u>	<u>3,477</u>	<u>9,373</u>	<u>9,296</u>
	<u>\$ 4,862</u>	<u>\$ 7,152</u>	<u>\$ 19,371</u>	<u>\$ 18,754</u>

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
<u>Selling and marketing expenses</u>				
Investors that have significant influence over the Group	\$ 4,510	\$ 8,046	\$ 13,746	\$ 28,807
Other parties	<u>365,370</u>	<u>355,398</u>	<u>1,181,515</u>	<u>1,120,131</u>
	<u>\$ 369,880</u>	<u>\$ 363,444</u>	<u>\$ 1,195,261</u>	<u>\$ 1,148,938</u>
<u>General and administrative expenses</u>				
Investors that have significant influence over the Group	\$ 2,439	\$ 2,892	\$ 7,748	\$ 6,901
Other parties	<u>42,303</u>	<u>44,787</u>	<u>138,471</u>	<u>138,316</u>
	<u>\$ 44,742</u>	<u>\$ 47,679</u>	<u>\$ 146,219</u>	<u>\$ 145,217</u>
<u>Research and development expenses</u>				
Investors that have significant influence over the Group	\$ 5,586	\$ 38,617	\$ 37,493	\$ 63,100
Other parties	<u>5,599</u>	<u>6,250</u>	<u>18,167</u>	<u>21,753</u>
	<u>\$ 11,185</u>	<u>\$ 44,867</u>	<u>\$ 55,660</u>	<u>\$ 84,853</u>

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

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

Research and development expenses are payment to investors with significant influence over the Group for sample products, trial fee, and System.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Other parties	<u>\$ 55,277</u>	<u>\$ 52,490</u>	<u>\$ 167,335</u>	<u>\$ 117,168</u>

2) Non-operating transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
<u>Other revenue</u>				
Significant influence over the Group	\$ <u>33</u>	\$ <u>35</u>	\$ <u>33</u>	\$ <u>151</u>
<u>Overseas business expenses</u>				
Other parties	\$ <u>1,290</u>	\$ <u>1,093</u>	\$ <u>3,730</u>	\$ <u>11,517</u>
<u>Other losses</u>				
Investors that have significant influence over the Group	\$ <u>129</u>	\$ <u>9</u>	\$ <u>182</u>	\$ <u>20</u>

3) Receivables from related parties

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Notes receivable</u>			
Other parties	\$ <u>2,562</u>	\$ <u>905</u>	\$ <u>2,109</u>
<u>Trade receivables</u>			
Investors that have significant influence over the Group	\$ 58,880	\$ 14,890	\$ 27,758
Other parties	<u>392,372</u>	<u>205,243</u>	<u>535,272</u>
	\$ <u>451,252</u>	\$ <u>220,133</u>	\$ <u>563,030</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Trade payables</u>			
Investors that have significant influence over the Group	\$ 1,092,821	\$ 253,986	\$ 687,665
Other parties	<u>356,771</u>	<u>311,485</u>	<u>241,872</u>
	\$ <u>1,449,592</u>	\$ <u>565,471</u>	\$ <u>929,537</u>

The outstanding trade payables from related parties are unsecured.

5) Refundable deposits

	September 30, 2015	December 31, 2014	September 30, 2014
Investors that have significant influence over the Group	\$ 373,496	\$ 488,561	\$ 569,289
Other parties	<u>7,601</u>	<u>47,977</u>	<u>47,977</u>
	<u>\$ 381,097</u>	<u>\$ 536,538</u>	<u>\$ 617,266</u>

6) Prepayments

	September 30, 2015	December 31, 2014	September 30, 2014
Other parties	<u>\$ 43,650</u>	<u>\$ -</u>	<u>\$ -</u>

The Company made prepayments to other parties for consulting, labor dispatch and IT services.

c. Compensation of key management personnel:

The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2015 and 2014 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Short-term employee benefit	\$ 11,252	\$ 11,349	\$ 36,942	\$ 34,210
Post-employment benefit	<u>645</u>	<u>518</u>	<u>1,804</u>	<u>1,552</u>
	<u>\$ 11,897</u>	<u>\$ 11,867</u>	<u>\$ 38,746</u>	<u>\$ 35,762</u>

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

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$1,497,427 thousand and \$1,535,223 thousand in the nine months ended September 30, 2015 and 2014, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$840 thousand and \$845 thousand for the nine months ended September 30, 2015 and 2014, respectively.
- 2) The Company sold property, plant and equipment to related-party for the nine months ended September 30, 2014 were summarized as follows:

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

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

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is \$790,155 thousand (excluding tax) and the installment payments will be disbursed according to the progress under the contract schedule. As of September 30, 2015, the Company had already paid \$722,075 thousand (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

### 30. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2015 were as follows:

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

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to September 30, 2015, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	September 30, 2015	December 31, 2014	September 30, 2014
Acquisition of property, plant, and equipment	\$ 4,138	\$ 234,249	\$ 231,800
Acquisition of computer software	<u>1,731</u>	<u>296</u>	<u>1,494</u>
	<u>\$ 5,869</u>	<u>\$ 234,545</u>	<u>\$ 233,294</u>

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

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

September 30, 2015

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

Financial liabilities

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

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,607,224	5.0920 (RMB:NTD)	\$ 8,183,984
RMB	1,042,417	0.1634 (RMB:USD)	5,390,974
USD	3,778	31.650 (USD:NTD)	119,574
JPY	108,653	0.2646 (JPY:NTD)	<u>28,749</u>
			<u>\$ 13,723,281</u>

Financial liabilities

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

September 30, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,599,898	4.9340 (RMB:NTD)	\$ 7,893,897
RMB	692,249	0.1625 (RMB:USD)	3,421,960
USD	24,864	30.420 (USD:NTD)	756,365
JPY	132,851	0.2780 (.JPY:NTD)	<u>36,933</u>
			<u>\$ 12,109,155</u>

Financial liabilities

Monetary items			
JPY	2,220	0.2780 (.JPY:NTD)	<u>\$ 617</u>

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

For the Three Months Ended September 30				
Foreign Currencies	2015		2014	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	5.0400 (RMB:NTD)	\$ 99,687	4.8653 (RMB:NTD)	\$ 215,725
RMB	0.1596 (RMB:USD)	(363,779)	0.1624 (RMB:USD)	(99,840)
USD	31.975 (USD:NTD)	11,580	30.008 (USD:NTD)	1,185
JPY	0.2618 (.JPY:NTD)	<u>(4,619)</u>	0.2887 (.JPY:NTD)	<u>(1,371)</u>
		<u>\$ (257,131)</u>		<u>\$ 115,699</u>

For the Nine Months Ended September 30				
Foreign Currencies	2015		2014	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	5.0190 (RMB:NTD)	\$ (177,397)	4.8901 (RMB:NTD)	\$ 74,186
RMB	0.1620 (RMB:USD)	(355,224)	0.1628 (RMB:USD)	(199,177)
USD	31.444 (USD:NTD)	7,123	30.127 (USD:NTD)	2,082
JPY	0.2603 (.JPY:NTD)	<u>227</u>	0.2927 (.JPY:NTD)	<u>(2,608)</u>
		<u>\$ (525,271)</u>		<u>\$ (125,517)</u>

### 32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None



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

### 33. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

#### a. Segment revenues and results

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

	Revenue		Profit Before Tax	
	For the Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2015	2014	2015	2014
Vehicle segment	\$ 23,853,158	\$ 23,698,904	\$ 944,699	\$ 584,072
Part segment	2,704,098	2,642,472	458,430	464,274
Investment segment	-	-	3,166,139	4,093,740
Other segment	<u>36,373</u>	<u>45,948</u>	<u>(411,278)</u>	<u>(438,378)</u>
	<u>\$ 26,593,629</u>	<u>\$ 26,387,324</u>	4,157,990	4,703,708
(Loss) gain on disposal of property, plant and equipment			(1,231)	1,131
Interest income			306,855	315,820
Gain on disposal of investment, net			890	6,472
Foreign exchange loss, net			(525,271)	(125,517)
Interest expense			(27,347)	(33,040)
Gain on fair value changes of financial assets at fair value through profit or loss			14,626	4,209
Central administration cost			<u>(11,700)</u>	<u>(11,700)</u>
Profit before tax			<u>\$ 3,914,812</u>	<u>\$ 4,861,083</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the nine months ended September 30, 2015 and 2014.

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

b. Segment total assets

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Segment assets</u>			
Continuing operations			
Vehicle segment	\$ 1,777,152	\$ 1,717,969	\$ 1,710,406
Part segment	40,321	3,174	1,853
Investment segment	15,619,185	17,734,336	14,462,901
Other segment	<u>41,619</u>	<u>37,610</u>	<u>38,589</u>
	17,478,277	19,493,089	16,213,749
Unallocated assets	<u>14,521,389</u>	<u>17,013,458</u>	<u>16,498,677</u>
Consolidated total assets	<u>\$ 31,999,666</u>	<u>\$ 36,506,547</u>	<u>\$ 32,712,426</u>

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

HOLDING OF SECURITIES AT THE END OF THE PERIOD  
SEPTEMBER 30, 2015

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

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	September 30, 2015			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates	-	Financial assets at fair value through profit or loss	27,794	\$ 310,222	-	\$ 310,222
	Yuanta RMB Money Market TWD	-	Financial assets at fair value through profit or loss	18,651	300,203	-	300,203
	Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss	13,274	200,146	-	200,146
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	9,654	150,495	-	150,495
	Prudential Financial Money Market	-	Financial assets at fair value through profit or loss	8,102	100,094	-	100,094
	Allianz Gbl Investors Taiwan Money Mkt	-	Financial assets at fair value through profit or loss	8,096	100,073	-	100,073
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss	7,964	81,105	-	81,105
	Franklin Templeton Sinomam Money Market	-	Financial assets at fair value through profit or loss	701	26,326	-	26,326
	Allianz Global Investors Global Biotech Fund - NTD	-	Financial assets at fair value through profit or loss				
	Nomura Global Biotech & Health Care	-	Financial assets at fair value through profit or loss	667	11,867	-	11,867
	Jpmorgan (Taiwan) Japan Brilliance	-	Financial assets at fair value through profit or loss	813	8,902	-	8,902

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value on September 30, 2015.

TABLE 2

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount		Shares	Amount (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates Yuanfa RMB Money Market TWD	Financial assets at fair value through profit or loss	-	-	9,821	\$ 100,000	27,794	\$ 300,000	9,821	\$ 103,844	\$ 100,000	\$ 3,844	27,794	\$ 300,000
	Nomura Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	37,352	600,000	18,701	300,979	300,403	576	18,651	299,597
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	30,045	400,000	30,045	400,304	400,000	304	-	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	24,111	300,000	24,111	300,060	300,000	60	-	-
	Paradigm Pion Money Market	Financial assets at fair value through profit or loss	-	-	-	-	43,936	500,000	43,936	500,777	500,000	777	-	-
	Capital Money Market	Financial assets at fair value through profit or loss	-	-	-	-	31,424	500,000	31,424	500,097	500,000	97	-	-

Note: Shown at their original investment amount.

## YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNT TO AT LEASE NTS100 MILLION OR 20% OF PAID-IN CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Note/Accounts Payable or Receivable (Note 2)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 3)	
Yulon Nissan Motor Company, Ltd.	Yulon	Equity-method investor of the Company	Purchase	\$ 21,373,591	97	4 days after sales for parts	\$	-	\$ (745,810)	(42)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	23,690,869	89	3 days after sales for vehicles	-	-	305,022	58	-
	Chen Long Co., Ltd.	Equity-method investee of Yulon	Sale	326,270	1	4 days after sales for parts	-	-	-	-	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon	Sale	302,731	1	3 days after sales for parts	-	-	3,013	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	282,776	1	4 days after sales for parts	-	-	3,525	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	280,438	1	3 days after sales for vehicles	-	-	-	-	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon	Sale	231,438	1	15 days after sales for parts	-	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	217,723	1	Immediate payment for vehicles	-	-	1,629	-	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon	Sale	212,341	1	Same as above	-	-	-	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	188,209	1	15 days after sales for parts	-	-	2,562	-	-
						Immediate payment for vehicles	-	-			

Note 1: Transaction terms are based on agreements.

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

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

TRADE RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20 PERCENT OF PAID-IN CAPITAL OR MORE  
 SEPTEMBER 30, 2015  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables \$ 305,022 Other receivables 13,314	146.68	\$ -	-	\$ 305,022 13,314	\$ -

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015  
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount September 30, 2015	December 31, 2014	Shares (Thousands)	Balance as of September 30, 2015 Percentage of Ownership	Carrying Value	Net Income of the Investee	Investment Gain (Loss) (Note 1)	Note
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100.00	\$ 23,137,694	\$ 2,919,122	\$ 2,919,122	Notes 2 and 3
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 703,703	US\$ 92,836	US\$ 92,836	Notes 2 and 3
Jet Ford, Inc.	Acolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 49,807	US\$ 74,233	US\$ 11,952	Note 2
	Acolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 18,710	-	33.12	US\$ 24,839	US\$ 2,963	US\$ 982	Note 2
	Guangzhou Acolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	40.00	US\$ 382,383	US\$ 217,370	US\$ 86,948	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US\$ 1,125	US\$ 1,125	-	45.00	US\$ 18,151	US\$ 2,426	US\$ 1,092	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars	US\$ 593	US\$ 593	-	49.00	US\$ (602)	US\$ 144	US\$ 71	Notes 2 and 4

Note 1: Investment gains include the amortization of investment premium or discount.

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

Note 3: Eliminated.

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



## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details		
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4) % to Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	a	Notes and accounts receivable - related parties	\$ 5,945	-

Note 1: Intercompany relationships are numbered as follows:

- a. The Company is numbered as 0.
- b. Subsidiaries are numbered from number 1.

Note 2: Nature of relationships is numbered as follows:

- a. The Company to subsidiaries is numbered as 1.
- b. Subsidiaries to the Company is numbered as 2.
- c. Subsidiaries to subsidiaries is numbered as 3.

Note 3: Eliminated.

Note 4: The prices and payment terms for related-party transactions were based on agreements.

Note 5: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

TABLE 7

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015  
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2015	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2015	Accumulated Repatriation of Investment Income as of September 30, 2015
					Outward	Inward						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 2,334,189 (US\$ 74,233)	\$ 375,834 (US\$ 11,952)	\$ 1,637,156 (US\$ 49,807)	\$ 876,623 (US\$ 28,078)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	93,184 (US\$ 2,963)	30,862 (US\$ 982)	816,473 (US\$ 24,839)	6,527,328 (US\$ 210,342)
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB 2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00	6,834,985 (US\$ 217,370)	2,733,994 (US\$ 86,948)	12,568,938 (US\$ 382,383)	12,430,030 (US\$ 384,642)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00	76,292 (US\$ 2,426)	34,331 (US\$ 1,092)	596,618 (US\$ 18,151)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	Valuation, purchase, renovation, rent and selling of used cars	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00	4,537 (US\$ 144)	2,224 (US\$ 71)	(19,796) (US\$ -602)	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$12,866,069

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

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

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

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