

**Yulon Nissan Motor Company, Ltd.**

**Financial Statements for the  
Years Ended December 31, 2015 and 2014 and  
Independent Auditors' Report**

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

*Deloitte & Touche*

March 28, 2016

#### Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD.

## BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 8,363,612	27	\$ 9,493,958	26
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,491,543	5	331,032	1
Notes receivable (Notes 4 and 8)	-	-	2,000	-
Notes receivable - related parties (Notes 4 and 27)	6,139	-	905	-
Trade receivables (Notes 4 and 8)	70,932	-	70,137	-
Trade receivables - related parties (Notes 4 and 27)	483,892	2	224,495	1
Other receivables (Notes 4 and 8)	38,469	-	39,606	-
Inventories (Notes 4 and 9)	3,020	-	2,739	-
Prepayments (Note 27)	15,906	-	9,893	-
Total current assets	10,473,513	34	10,174,765	28
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method (Notes 4 and 10)	18,175,364	58	23,800,390	65
Property, plant and equipment (Notes 4, 11 and 27)	1,936,231	6	1,758,753	5
Computer software (Notes 4, 12 and 27)	14,330	-	12,346	-
Deferred tax assets (Notes 4 and 21)	152,728	1	164,709	-
Other non-current assets (Notes 13 and 27)	408,397	1	573,443	2
Total non-current assets	20,687,050	66	26,309,641	72
<b>TOTAL</b>	<b>\$ 31,160,563</b>	<b>100</b>	<b>\$ 36,484,406</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14)	\$ 3,630,000	12	\$ 3,630,000	10
Notes payable	243,000	1	-	-
Trade payables	53,973	-	122,244	-
Trade payables - related parties (Note 27)	1,178,190	4	565,471	2
Other payables (Note 15)	901,930	3	882,601	2
Current tax liabilities (Notes 4 and 21)	747,255	2	977,135	3
Provisions (Notes 4 and 16)	202,844	1	172,054	-
Other current liabilities (Note 17)	31,432	-	19,698	-
Total current liabilities	6,988,624	23	6,369,203	17
<b>NON-CURRENT LIABILITIES</b>				
Provisions (Notes 4 and 16)	43,706	-	86,282	-
Net defined benefit liabilities (Notes 4 and 18)	573,363	2	546,327	2
Deferred tax liabilities (Notes 4 and 21)	1,599,692	5	2,552,082	7
Total non-current liabilities	2,216,761	7	3,184,691	9
Total liabilities	9,205,385	30	9,553,894	26
<b>EQUITY</b>				
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	9	3,000,000	8
Capital surplus	6,129,405	20	6,129,405	17
Retained earnings				
Legal reserve	3,640,263	12	2,987,887	8
Special reserve	788,877	2	788,877	2
Unappropriated earnings	7,094,172	23	12,607,444	35
Total retained earnings	11,523,312	37	16,384,208	45
Other equity	1,302,461	4	1,416,899	4
Total equity	21,955,178	70	26,930,512	74
<b>TOTAL</b>	<b>\$ 31,160,563</b>	<b>100</b>	<b>\$ 36,484,406</b>	<b>100</b>

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

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Sales (Note 4)	\$ 33,155,124	100	\$ 33,126,357	100
Service revenue (Note 4)	11,646	-	1,382	-
Other operating revenue	<u>51,624</u>	<u>-</u>	<u>42,402</u>	<u>-</u>
Total operating revenue	33,218,394	100	33,170,141	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 20 and 27)	<u>27,913,181</u>	<u>84</u>	<u>28,855,176</u>	<u>87</u>
GROSS PROFIT	<u>5,305,213</u>	<u>16</u>	<u>4,314,965</u>	<u>13</u>
OPERATING EXPENSES (Notes 18, 20 and 27)				
Selling and marketing expenses	3,130,745	9	2,564,472	8
General and administrative expenses	399,943	1	363,535	1
Research and development expenses	<u>516,723</u>	<u>2</u>	<u>586,905</u>	<u>2</u>
Total operating expenses	<u>4,047,411</u>	<u>12</u>	<u>3,514,912</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 20 and 27)	<u>(1,486)</u>	<u>-</u>	<u>1,131</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,256,316</u>	<u>4</u>	<u>801,184</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of profit of subsidiaries	3,866,456	11	6,677,910	20
Interest income (Note 4)	219,540	1	175,495	1
Gain from valuation of financial assets, net	11,333	-	14,032	-
Gain on disposal of investment, net (Note 20)	1,866	-	5,964	-
Other revenue (Note 27)	1,871	-	5,078	-
Foreign exchange (loss) gain, net (Note 20)	(301,141)	(1)	410,960	1
Interest expenses (Note 27)	(36,636)	-	(42,689)	-
Overseas business expenses (Note 27)	(14,710)	-	(18,712)	-
Other losses (Note 27)	<u>(5,208)</u>	<u>-</u>	<u>(2,545)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,743,371</u>	<u>11</u>	<u>7,225,493</u>	<u>22</u>
PROFIT BEFORE TAX	4,999,687	15	8,026,677	24
INCOME TAX EXPENSES (Notes 4 and 21)	<u>833,786</u>	<u>3</u>	<u>1,502,918</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,165,901</u>	<u>12</u>	<u>6,523,759</u>	<u>20</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (31,951)	-	\$ 982	-
Share of the other comprehensive income of subsidiaries accounted for using equity method	(334)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>5,488</u>	<u>-</u>	<u>(167)</u>	<u>-</u>
	<u>(26,797)</u>	<u>-</u>	<u>815</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(114,438)</u>	<u>-</u>	<u>1,206,461</u>	<u>3</u>
Other comprehensive income for the year, net of income tax	<u>(141,235)</u>	<u>-</u>	<u>1,207,276</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,024,666</u>	<u>12</u>	<u>\$ 7,731,035</u>	<u>23</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$13.89</u>		<u>\$21.75</u>	
Diluted	<u>\$13.88</u>		<u>\$21.74</u>	

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

(Concluded)

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

## **STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock	Capital Surplus (Note 19)	Retained Earnings (Notes 19 and 21)			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 year ended December 31, 2014	-	-	-	-	6,523,759	-	6,523,759
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	815	1,206,461	1,207,276
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	6,524,574	1,206,461	7,731,035
BALANCE, DECEMBER 31, 2014	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 year ended December 31, 2015	-	-	-	-	4,165,901	-	4,165,901
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	(26,797)	(114,438)	(141,235)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	4,139,104	(114,438)	4,024,666
BALANCE, DECEMBER 31, 2015	3,000,000	6,129,405	3,640,263	788,877	7,094,172	1,302,461	21,955,178

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

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,999,687	\$ 8,026,677
Adjustments for:		
Depreciation expenses	431,998	446,629
Amortization expenses	5,557	5,454
Gain on financial assets at fair value through profit or loss, net	(11,333)	(14,032)
Interest expense	36,636	42,689
Interest income	(219,540)	(175,495)
Shares of the profit of associates	(3,866,456)	(6,677,910)
Loss (gain) on disposal of property, plant and equipment, net	1,486	(1,131)
Gain on disposal of investment, net	(1,866)	(5,964)
Foreign exchange loss (gain), net	359,367	(350,658)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,147,312)	123,705
Notes receivable	2,000	(1,973)
Notes receivable - related parties	(5,234)	1,407
Trade receivables	(795)	(28,635)
Trade receivables - related parties	(259,397)	67,734
Other receivables	(22,265)	2,764
Inventories	(281)	(692)
Prepayments	(6,013)	1,164
Notes payable	243,000	-
Notes payable - related parties	-	(1,536)
Trade payables	(68,271)	(5,250)
Trade payables - related parties	469,293	(461,174)
Other payables	19,507	225,026
Other current liabilities	11,734	(1,374)
Deferred revenue	-	(1,643)
Provisions	(11,786)	14,399
Net defined benefit liabilities	(4,915)	(7,780)
Cash generated from operations	954,801	1,222,401
Interest paid	(36,814)	(42,794)
Income tax paid	(1,193,953)	(985,114)
Net cash generated from (used in) operating activities	(275,966)	194,493
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	8,439,039	11,399,888
Interest received	242,942	155,783
Payment for property, plant and equipment (Note 23)	(441,433)	(486,380)
Proceeds from disposal of property, plant, and equipment	6,329	4,638
Payments for computer software	(7,541)	(9,913)
Decrease in other financial assets	-	991,154
Decrease (increase) in other non-current assets	132,614	(344,753)
Net cash generated from investing activities	8,371,950	11,710,417

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ -	\$ 1,000,000
Repayment of long-term borrowings	-	(1,000,000)
Payments of dividends	<u>(9,000,000)</u>	<u>(5,841,000)</u>
Net cash used in financing activities	<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>(226,330)</u>	<u>288,144</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,130,346)	6,352,054
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,493,958</u>	<u>3,141,904</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,363,612</u>	<u>\$ 9,493,958</u>

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

(Concluded)



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

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

---

### **1. GENERAL INFORMATION**

Yulon Nissan Motor Company, Ltd. (the “Company”) 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 accompanying financial statements were approved by the board of directors on March 28, 2016.

### **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 Company 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 would not have any material impact on the Company’s accounting policies.

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

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

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

<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 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
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
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 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: 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 Company’s accounting policies.

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

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

The accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

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

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. 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.

When preparing its financial statements, the Company used equity method to account for its investment in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, share of other comprehensive income of subsidiaries, as appropriate, in the financial statements.

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

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

##### **Foreign Currencies**

The functional currency of Company and presentation currency of the financial statements are both New Taiwan dollars (NT\$). Functional currency is the currency of the primary economic environment in which the Company operates.

In preparing the financial statements, transactions in currencies other than the New Taiwan dollars are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

The financial statements of foreign subsidiaries prepared in foreign currencies are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end rates; profit and loss - average rates during the year; stockholders' equity - historical rates. The resulting differences are recorded as other comprehensive income.

**Inventories**

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

**Investments in Subsidiaries**

The Company uses the equity method to account for its investments in subsidiaries. Subsidiary is an entity that is controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiaries.

Investments accounted for using equity method are assessed for indicators of impairment at the end of each reporting period. When there is objective evidence that the investments accounted for using equity method have been impaired, the impairment losses are recognized in profit or loss.

**Property, Plant and Equipment**

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

The Company depreciates molds and dies on the basis of estimated production volume. Other property, plant and equipment are depreciated by using straight-line method. The estimated production volume, useful lives, residual values and depreciation method 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 Company 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 Company expects to dispose of the asset before the end of its economic life.

**Impairment of Assets**

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

## Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

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

### a. Financial assets

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

#### 1) Measurement category

##### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest (included dividend or interest received in the investment year) earned on the financial asset. Method to determine the fair value please refer to Note 26.

##### b) Loans and receivables

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

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

**Provision**

a. Inventory purchase commitment

Where the Company has a commitment under which the unavoidable costs of meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment, the present obligations arising under such commitment (e.g. inventory purchase 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 Company's obligation by the management of the Company.

**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 Company's defined benefit plan.

c. Termination benefits

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

**Taxation**

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

a. Current tax

Current tax payable depends on current taxable profit. Taxable 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 Company's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the 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 Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company 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 December 31, 2015 and 2014, the carrying amounts of trade receivables were \$599,432 thousand and \$337,143 thousand, respectively.



b. Property, plant and equipment - molds and dies

The Company depreciates molds and dies on the basis of estimated production volume. The Company 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 Company 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 December 31, 2015 and 2014, the carrying amounts of provisions for warranty were \$123,055 thousand and \$146,358 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Company assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of December 31, 2015 and 2014, the carrying amounts of provisions for loss on inventory purchase commitment were \$123,495 thousand and \$111,978 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

	December 31	
	2015	2014
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	1,324,429	1,184,495
Foreign currency demand deposits	5,083,795	310,534
Cash equivalents		
Foreign currency time deposits	1,556,736	7,992,009
Time deposits	6,900	6,900
Repurchase agreements collateralized by bonds	<u>391,732</u>	<u>-</u>
	<u>\$ 8,363,612</u>	<u>\$ 9,493,958</u>

Cash equivalent includes 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:

	December 31	
	2015	2014
Demand deposits and time deposits	0.01%-6.80%	0.01%-3.40%
Repurchase agreements collateralized by bonds	1.50%	-

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

	December 31	
	2015	2014
<u>Financial assets at FVTPL - current</u>		
Non-derivative financial assets		
Mutual funds	<u>\$ 1,491,543</u>	<u>\$ 331,032</u>

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

	December 31	
	2015	2014
Notes receivable	<u>\$ -</u>	<u>\$ 2,000</u>
Trade receivables	<u>\$ 70,932</u>	<u>\$ 70,137</u>
Other receivables		
Disposal of investment receivables	\$ 15,237	\$ -
Interest receivables	1,840	25,242
Others	<u>21,392</u>	<u>14,364</u>
	<u>\$ 38,469</u>	<u>\$ 39,606</u>

### a. Notes receivable

There were no past due notes receivable balances at the end of the reporting period and the Company did not recognize an allowance for impairment loss.

The aging of notes receivable was as follows:

	December 31	
	2015	2014
Less than 60 days	<u>\$ -</u>	<u>\$ 2,000</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 Company did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
0-60 days	\$ 49,966	\$ 36,794
61-90 days	15,573	10,771
91-120 days	5,393	15,844
121-180 days	<u>-</u>	<u>6,728</u>
	<u>\$ 70,932</u>	<u>\$ 70,137</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:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
1-60 days	<u>\$ 22,703</u>	<u>\$ 22,720</u>

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

c. Other receivables

The Company will assess other receivables for impairment when there is objective evidence of impairment; the assessment is done on every account individually.

There were no past due other receivables balances at the end of the reporting period and the Company did not recognize an allowance for impairment loss.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Parts	\$ 3,020	\$ 1,664
Vehicles	<u>-</u>	<u>1,075</u>
	<u>\$ 3,020</u>	<u>\$ 2,739</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 was \$27,913,181 thousand, which included warranty cost of \$76,397 thousand and loss on inventory purchase commitment of \$11,517 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 was \$28,855,176 thousand, which included warranty cost of \$70,933 thousand and loss on inventory purchase commitment of \$2,166 thousand.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
<u>Investment in subsidiary</u>		
Yi-Jan Overseas Investment Co., Ltd.	<u>\$ 18,175,364</u>	<u>\$ 23,800,390</u>

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

	December 31	
	2015	2014
Yi-Jan Overseas Investment Co., Ltd.	100%	100%

Refer to Note 5 for the details of the subsidiaries indirectly held by the Company.

The investments in subsidiaries accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 was based on the subsidiaries' financial statements audited by the auditors for the same years.

## 11. PROPERTY, PLANT, AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold 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	334,961	104,972	2,231	10,002	8,119	-	-	-	460,285
Disposals	-	-	(8,450)	(238)	(5,852)	(145)	(1,755)	-	(16,440)
Balance at December 31, 2014	<u>\$ 3,953,870</u>	<u>\$ 828,124</u>	<u>\$ 75,674</u>	<u>\$ 85,297</u>	<u>\$ 10,862</u>	<u>\$ 18,384</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,982,415</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	(338,562)	(93,647)	(6,243)	(5,433)	(1,031)	(432)	(1,151)	(130)	(446,629)
Disposals	-	-	8,414	235	2,384	145	1,755	-	12,933
Balance at December 31, 2014	<u>\$ (2,622,536)</u>	<u>\$ (443,092)</u>	<u>\$ (64,712)</u>	<u>\$ (66,978)</u>	<u>\$ (3,427)</u>	<u>\$ (16,369)</u>	<u>\$ (1,135)</u>	<u>\$ (5,413)</u>	<u>\$ (3,223,662)</u>
Carrying value, net, December 31, 2014	<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>
<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	510,105	26,190	3,880	67,058	5,665	-	4,393	-	617,291
Disposals	-	-	(1,201)	(773)	(8,119)	(2,600)	-	-	(12,693)
Balance at December 31, 2015	<u>\$ 4,463,975</u>	<u>\$ 854,314</u>	<u>\$ 78,353</u>	<u>\$ 151,582</u>	<u>\$ 8,408</u>	<u>\$ 15,784</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,587,013</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	(327,608)	(84,110)	(4,528)	(13,093)	(959)	(349)	(1,259)	(92)	(431,998)
Disposals	-	-	1,145	732	1,268	1,733	-	-	4,878
Balance at December 31, 2015	<u>\$ (2,950,144)</u>	<u>\$ (527,202)</u>	<u>\$ (68,095)</u>	<u>\$ (79,339)</u>	<u>\$ (3,118)</u>	<u>\$ (14,985)</u>	<u>\$ (2,394)</u>	<u>\$ (5,505)</u>	<u>\$ (3,650,782)</u>
Carrying value, net, December 31, 2015	<u>\$ 1,513,831</u>	<u>\$ 327,112</u>	<u>\$ 10,258</u>	<u>\$ 72,243</u>	<u>\$ 5,290</u>	<u>\$ 799</u>	<u>\$ 6,509</u>	<u>\$ 189</u>	<u>\$ 1,936,231</u>

There were no signs of impairment losses of assets for the years ended December 31, 2015 and 2014; therefore, the Company did not assess for impairment.

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

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

## 12. COMPUTER SOFTWARE

	<b>Computer Software</b>
<u>Cost</u>	
Balance, January 1, 2014	\$ 22,451
Additions	9,913
Disposals	<u>(13,640)</u>
Balance, December 31, 2014	<u>\$ 18,724</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(5,454)
Disposals	<u>13,640</u>
Balance, December 31, 2014	<u>\$ (6,378)</u>
Carrying amounts at December 31, 2014	<u>\$ 12,346</u>
<u>Cost</u>	
Balance, January 1, 2015	\$ 18,724
Additions	7,541
Disposals	<u>(5,580)</u>
Balance, December 31, 2015	<u>\$ 20,685</u>

(Continued)

	<b>Computer Software</b>
<u>Accumulated amortization</u>	
Balance, January 1, 2015	\$ (6,378)
Amortization expense	(5,557)
Disposals	<u>5,580</u>
Balance, December 31, 2015	<u>\$ (6,355)</u>
Carrying amounts at December 31, 2015	<u>\$ 14,330</u> (Concluded)

### 13. OTHER NON-CURRENT ASSETS

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Refundable deposits	\$ 405,517	\$ 538,131
Prepayment for equipment	<u>2,880</u>	<u>35,312</u>
	<u>\$ 408,397</u>	<u>\$ 573,443</u>

Refundable deposits are mainly for materials to Yulon.

### 14. BORROWINGS

#### Short-term Borrowings

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Unsecured bank loans	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>
Ranges of weighted average effective interest rate	0.96%-1.09%	0.96%-1.10%

### 15. OTHER PAYABLES

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Advertising and promotion fees	\$ 425,110	\$ 156,097
Salaries and bonus	263,668	296,081
Taxes	20,840	230,936
Others	<u>192,312</u>	<u>199,487</u>
	<u>\$ 901,930</u>	<u>\$ 882,601</u>

## 16. PROVISIONS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current		
Inventory purchase commitment	\$ 123,495	\$ 111,978
Warranties	<u>79,349</u>	<u>60,076</u>
	<u>\$ 202,844</u>	<u>\$ 172,054</u>
Non-current		
Warranties	<u>\$ 43,706</u>	<u>\$ 86,282</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	2,166	70,933	73,099
Paid	<u>-</u>	<u>(58,700)</u>	<u>(58,700)</u>
Balance at December 31, 2014	<u>\$ 111,978</u>	<u>\$ 146,358</u>	<u>\$ 258,336</u>
Balance at January 1, 2015	\$ 111,978	\$ 146,358	\$ 258,336
Additional provisions recognized	11,517	76,397	87,914
Paid	<u>-</u>	<u>(99,700)</u>	<u>(99,700)</u>
Balance at December 31, 2015	<u>\$ 123,495</u>	<u>\$ 123,055</u>	<u>\$ 246,550</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 Company's obligations for warranty under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends.

## 17. OTHER CURRENT LIABILITIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Withholding	\$ 15,617	\$ 1,716
Receipts in advance	9,149	15,156
Others	<u>6,666</u>	<u>2,826</u>
	<u>\$ 31,432</u>	<u>\$ 19,698</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

The total expense recognized in profit or loss for the years ended December 31, 2015 and 2014 was \$13,390 thousand and \$12,935 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

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

	For the Year Ended December 31	
	2015	2014
Selling and marketing expenses	\$ 4,423	\$ 4,136
General and administrative expenses	4,016	3,864
Research and development expenses	4,620	4,624
Non-operating expenses	<u>331</u>	<u>311</u>
	<u>\$ 13,390</u>	<u>\$ 12,935</u>

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 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. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of funded defined benefit obligation	\$ 583,971	\$ 568,683
Fair value of plan asset	<u>(10,608)</u>	<u>(9,957)</u>
Deficit	573,363	558,726
Unrecognized past service cost	<u>-</u>	<u>(12,399)</u>
Net defined benefit liability	<u>\$ 573,363</u>	<u>\$ 546,327</u>



Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Unrecognized Past Service Cost	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	\$ 573,593	\$ (3,601)	\$ (14,903)	\$ 555,089
Service cost				
Current service cost	5,641	-	-	5,641
Past service cost	-	-	2,504	2,504
Net interest expense (income)	10,038	(138)	-	9,900
Recognized in profit or loss	15,679	(138)	2,504	18,045
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(9)	-	(9)
Actuarial loss - changes in demographic assumptions	10,642	-	-	10,642
Actuarial gain - experience adjustments	(11,615)	-	-	(11,615)
Recognized in other comprehensive income	(973)	(9)	-	982
Contributions from the employer	-	(6,209)	-	(6,209)
Benefits paid	(19,616)	-	-	(19,616)
Balance at December 31, 2014	\$ 568,683	\$ (9,957)	\$ (12,399)	\$ 546,327
Balance at January 1, 2015	\$ 568,683	\$ (9,957)	\$ (12,399)	\$ 546,327
Service cost				
Current service cost	5,186	-	-	5,186
Past service cost	7,788	-	12,399	20,187
Net interest expense (income)	9,764	(151)	-	9,613
Recognized in profit or loss	22,738	(151)	12,399	34,986
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(44)	-	(44)
Actuarial loss - changes in demographic assumptions	9,419	-	-	9,419
Actuarial loss - changes in financial assumptions	14,758	-	-	14,758
Actuarial loss - experience adjustments	7,818	-	-	7,818
Recognized in other comprehensive income	31,995	(44)	-	31,951
Contributions from the employer	-	(6,325)	-	(6,325)
Benefits paid	(5,869)	5,869	-	-
Liabilities extinguished on settlement	(33,576)	-	-	(33,576)
Balance at December 31, 2015	\$ 583,971	\$ (10,608)	\$ -	\$ 573,363

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Selling and marketing expenses	12,793	4,312
General and administrative expenses	11,885	7,680
Research and development expenses	9,075	5,240
Non-operating expenses	<u>1,233</u>	<u>813</u>
	<u>\$ 34,986</u>	<u>\$ 18,045</u>

The defined benefit cost for 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, 2015</b>	<b>December 31, 2014</b>
Discount rate(s)	1.50%	1.75%
Expected rate(s) of salary increase	2.50%	2.50%

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

	<b>December 31, 2015</b>
Discount rate(s)	
0.25% increase	<u>\$ (14,945)</u>
0.25% decrease	<u>\$ 15,522</u>
Expected rate(s) of salary increase	
0.25% increase	<u>\$ 15,104</u>
0.25% decrease	<u>\$ (14,619)</u>

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
The expected contributions to the plan for the next year	<u>\$ 3,387</u>	<u>\$ 6,674</u>
The average duration of the defined benefit obligation	10.6 years	10.7 years

## 19. EQUITY

### a. Capital surplus

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

The capital surplus arising from shares issued in excess of par (including excess from spin-off) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to 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 consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 6, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 30, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to 20.d Employee benefits expense.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse to a special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s 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.

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.

The appropriations of earnings for 2014 and 2013 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 dividend	9,000,000	5,841,000	\$ 30.00	\$ 19.47

As of March 28, 2016, the date of the accompanying independent auditors’ report, the appropriations and distribution of the 2015 earnings of the Company had not been approved by the board of directors and stockholders.

## 20. NET PROFIT

### a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain (loss) on disposal of property, plant and equipment, net	<u>\$ (1,486)</u>	<u>\$ 1,131</u>

### b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ 431,998	\$ 446,629
Computer software	<u>5,557</u>	<u>5,454</u>
	<u>\$ 437,555</u>	<u>\$ 452,083</u>
Depreciation		
Operating cost	\$ 411,718	\$ 432,209
Operating expenses	<u>20,280</u>	<u>14,420</u>
	<u>\$ 431,998</u>	<u>\$ 446,629</u>
Amortization		
Operating expenses	<u>\$ 5,557</u>	<u>\$ 5,454</u>

c. Technical cooperation agreement

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating cost	<u>\$ 519,874</u>	<u>\$ 507,681</u>

The Company has a technical cooperation agreement (the “TCA”) with Nissan and Autech Japan, Inc. The TCA with Nissan is based on purchase costs less commodity tax. The TCA with Autech Japan, Inc. is based on development expenses together with royalty expenses.

d. Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Post-employment benefit (Note 18)		
Defined contribution plans	\$ 13,390	\$ 12,935
Defined benefit plans	<u>34,986</u>	<u>18,045</u>
	<u>48,376</u>	<u>30,980</u>
Termination benefit	3,900	3,900
Labor and health insurance	37,114	36,868
Salary	529,180	525,329
Other employee benefit	<u>23,814</u>	<u>22,521</u>
	<u>594,008</u>	<u>588,618</u>
Total employee benefit expenses	<u>\$ 642,384</u>	<u>\$ 619,598</u>
An analysis of employee benefits expense		
Operating cost	<u>\$ 625</u>	<u>\$ 645</u>
Operating expenses	<u>\$ 640,195</u>	<u>\$ 617,829</u>
Non-operating expenses	<u>\$ 1,564</u>	<u>\$ 1,124</u>

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees at the rates no less than 0.1% and no higher than 5%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees was \$32,723 thousand representing 0.56% of the base net income. To be in compliance with the Company Act as amended in May 2015, in November 2015, the board of directors proposed amendments to the Company’s Articles of Incorporation which stipulate to distribute employees’ compensation at the rates no less than 0.01% of net profit before income tax. For the year ended December 31, 2015, the employees’ compensation was \$11,500 thousand representing 0.23% of the base net profit. The employees’ compensation in cash for the year ended December 31, 2015 have been approved by the Company’s board of directors on March 28, 2016 and are subject to the resolution of the amendments to the Company’s Articles of Incorporation for adoption by the shareholders in their meeting to be held on June 30, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 30, 2015 and June 23, 2014, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
	<b>Cash Dividends</b>	<b>Cash Dividends</b>
Bonus to employees	\$ 32,723	\$ 31,500

There was no difference between the amounts of the bonus to employees approved in the shareholders' meetings on June 30, 2015 and June 23, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees, directors and supervisors resolved by the shareholder' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Foreign exchange gain	\$ 247,283	\$ 495,700
Foreign exchange loss	<u>(548,424)</u>	<u>(84,740)</u>
Net (loss) profit	<u>\$ (301,141)</u>	<u>\$ 410,960</u>

f. Gain or loss on sale of investment

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Total gain on sale of investment	\$ 19,324	\$ 9,705
Total loss on sale of investment	<u>(17,458)</u>	<u>(3,741)</u>
Net profit	<u>\$ 1,866</u>	<u>\$ 5,964</u>

## 21. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of the current year	\$ 1,766,822	\$ 2,285,193
Income tax on unappropriated earnings	-	116,959
In respect of prior years	1,885	1,265
Deferred tax		
In respect of the current year	<u>(934,921)</u>	<u>(900,499)</u>
Income tax expense recognized in profit or loss	<u>\$ 833,786</u>	<u>\$ 1,502,918</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax	<u>\$ 4,999,687</u>	<u>\$ 8,026,677</u>
Income tax expense calculated at the statutory rate (17%)	\$ 849,947	\$ 1,364,535
Nondeductible expenses in determining taxable income	(15,780)	23,854
Tax-exempt income	(2,266)	(3,695)
Additional income tax on unappropriated earnings	-	116,959
Adjustments for prior years' tax	<u>1,885</u>	<u>1,265</u>
Income tax expense recognized in profit or loss	<u>\$ 833,786</u>	<u>\$ 1,502,918</u>

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</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	\$ 56	\$ -
Actuarial gains and losses on defined benefit plan	<u>5,432</u>	<u>(167)</u>
Recognized in other comprehensive income	<u>\$ 5,488</u>	<u>\$ (167)</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 747,255</u>	<u>\$ 977,135</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2014

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,647	\$ (1,323)	\$ (167)	\$ 93,157
Impairment losses	52,247	(24,612)	-	27,635
Provisions for warranty	22,801	2,080	-	24,881
Provisions for loss on inventory purchase commitment	18,668	368	-	19,036
	<u>\$ 188,363</u>	<u>\$ (23,487)</u>	<u>\$ (167)</u>	<u>\$ 164,709</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 3,470,618	\$ (964,024)	\$ -	\$ 2,506,594
Unrealized exchange gain, net	5,450	40,038	-	45,488
	<u>\$ 3,476,068</u>	<u>\$ (923,986)</u>	<u>\$ -</u>	<u>\$ 2,552,082</u>

For the year ended December 31, 2015

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 93,157	\$ (836)	\$ 5,432	\$ 97,753
Impairment losses	27,635	(14,630)	-	13,005
Provisions for warranty	24,881	(3,962)	-	20,919
Provisions for loss on inventory purchase commitment	19,036	1,959	-	20,995
Share of the other comprehensive loss of associates accounted for using equity method	-	-	56	56
	<u>\$ 164,709</u>	<u>\$ (17,469)</u>	<u>\$ 5,488</u>	<u>\$ 152,728</u>

(Continued)



	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 2,506,594	\$ (914,127)	\$ -	\$ 1,592,467
Unrealized exchange gain, net	<u>45,488</u>	<u>(38,263)</u>	<u>-</u>	<u>7,225</u>
	<u>\$ 2,552,082</u>	<u>\$ (952,390)</u>	<u>\$ -</u>	<u>\$ 1,599,692</u> (Concluded)

e. Integrated income tax

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 7,094,172</u>	<u>\$ 12,607,444</u>
Imputation credit account ("ICA")	<u>\$ 594,566</u>	<u>\$ 881,287</u>
	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>(Expected)</u>	<u>(Actual)</u>
Creditable ratio for distribution	18.91%	15.34%

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. The actual imputation credits allocated to shareholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. Income tax assessment

The tax returns through 2013 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 4,165,901</u>	<u>\$ 6,523,759</u>

### Weighted-average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive ordinary shares:		
Employees' compensation or bonus issue to employee	<u>154</u>	<u>141</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,154</u>	<u>300,141</u>

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

## 23. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Company entered into the following non-cash investing activities:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 617,291	\$ 460,285
Transfer prepayment for equipment to property, plant and equipment	(80,996)	(20,352)
Decrease (increase) in trade payables	<u>(94,862)</u>	<u>87,722</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 441,433</u>	<u>\$ 527,655</u>

## 24. OPERATING LEASE AGREEMENTS

### The Company as Lessee

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
No later than 1 year	\$ 10,474	\$ 2,508
Later than 1 year and not later than 5 years	<u>4,067</u>	<u>3,971</u>
	<u>\$ 14,541</u>	<u>\$ 6,479</u>

## 25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stockholders through optimization of the debt and equity balance.

## 26. 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

##### December 31, 2015

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

##### December 31, 2014

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

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

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

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

b. Categories of financial instruments

	December 31	
	2015	2014
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Held for trading	\$ 1,491,543	\$ 331,032
Loans and receivables (Note 1)	8,963,044	9,831,101
<u>Financial liabilities</u>		
Amortized cost (Note 2)	5,699,943	4,876,724

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

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

	<b>RMB</b>		<b>U.S. Dollar</b>		<b>Japan Yen</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Gain (loss)	\$ (80,879)	\$ (409,199)	\$ (271,558)	\$ (5,979)	\$ (383)	\$ (1,434)

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

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fair value interest rate risk		
Financial assets	\$ 1,954,022	\$ 8,030,577
Financial liabilities	500,000	500,000
Cash flows interest rate risk		
Financial assets	6,409,570	1,463,381
Financial liabilities	3,130,000	3,130,000

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2015 and 2014 would decrease/increase by \$8,199 thousand and \$4,167 thousand, which were mainly attributable to the Company's exposure to interest rates on its demand deposits, variable-rate bank time deposits and borrowings.

2) Credit risk

The Company's concentration of credit risk of 67% and 46% in total trade receivables as of December 31, 2015 and 2014, respectively, was related to the Company's largest customer within the vehicle department and the five largest customers within the parts department.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the available unutilized borrowings facilities were both \$2,070,000 thousand.

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

#### December 31, 2015

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

#### December 31, 2014

	<b>Weighted- average Effective Interest Rate (%)</b>	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,018,924	\$ 67,421	\$ 150,019
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>

## 27. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related parties

Related Party	Relationship with the Company
Investors that have significant influence over the Company	
Nissan Motor Corporation ("Nissan")	Equity-method investor of the Company
Yulon Motor Co., Ltd. ("Yulon")	Same as above
Subsidiaries	
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jetford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia ("NMI")	Same as above
Nissan Motor India Private Limited	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distributor 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.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Yulon Energy Service Co., Ltd.	Same as above
Yulon China Investment Limited	Same as above
Univatin 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

(Continued)

Related Party	Relationship with the Company
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Le-Wen Co., Ltd	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
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
DFS Industrial Group Co., Ltd.	Substantial related party of Dongfeng Nissan Passenger Vehicle Co.
LUXGEN Motor Co., Ltd (Taoyuan)	Subsidiary of LUXGEN Motor Co., Ltd
LUXGEN Motor Co., Ltd (Taichung)	Same as above
LUXGEN Motor Co., Ltd (Kaohsiung)	Same as above

(Concluded)

- b. Balances and transactions between the Company and related parties are based on agreements. Details of transactions between the Company and related parties were disclosed below:

1) Trading transactions

	For the Year Ended December 31	
	2015	2014
<u>Sales</u>		
Investors that have significant influence	\$ 20,807	\$ 11,212
Others	<u>32,622,352</u>	<u>32,546,046</u>
	<u>\$ 32,643,159</u>	<u>\$ 32,557,258</u>



	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>

Service revenue

Investors that have significant influence	\$ 11,646	\$ 1,382
---	-----------	----------

Other operating revenue

Investors that have significant influence	\$ 12,093	\$ 16,547
Others	32,668	21,209
	<u>\$ 44,761</u>	<u>\$ 37,756</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>

Operating cost - purchase

Investors that have significant influence	\$ 26,527,529	\$ 27,463,115
Others	35,940	108,182
	<u>\$ 26,563,469</u>	<u>\$ 27,571,297</u>

Operating cost - TCA

Investors that have significant influence	\$ 500,100	\$ 507,681
Others	19,774	-
	<u>\$ 519,874</u>	<u>\$ 507,681</u>

Operating expense - rental

Investors that have significant influence	\$ 16,495	\$ 13,626
Others	12,683	13,296
	<u>\$ 29,178</u>	<u>\$ 26,922</u>

The Company's cost of TCA is mainly for the payment to investors with significant influence, 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.

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Selling and marketing expenses</u>		
Investors that have significant influence	\$ 22,243	\$ 32,908
Others	<u>1,538,344</u>	<u>1,468,999</u>
	<u>\$ 1,560,587</u>	<u>\$ 1,501,907</u>
<u>General and administrative expenses</u>		
Investors that have significant influence	\$ 12,050	\$ 12,211
Others	<u>184,265</u>	<u>183,379</u>
	<u>\$ 196,315</u>	<u>\$ 195,590</u>
<u>Research and development expenses</u>		
Investors that have significant influence	\$ 50,131	\$ 100,291
Others	<u>25,275</u>	<u>27,922</u>
	<u>\$ 75,406</u>	<u>\$ 128,213</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. The Company provided administrative support to its subsidiaries with respect to investments in mainland China. The amounts charged for the administration were \$21,228 thousand and \$21,427 thousand for the years ended December 31, 2015 and 2014, respectively; the amounts were deducted from the Company's general and administrative expenses.

Research and development expenses are payment to investors with significant influence 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:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	\$ -	\$ 16,624
Others	<u>124,019</u>	<u>130,942</u>
	<u>\$ 124,019</u>	<u>\$ 147,566</u>

2) Non-operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Other revenue</u>		
Investors that have significant influence	\$ -	\$ 168
Others	<u>33</u>	<u>-</u>
	<u>\$ 33</u>	<u>\$ 168</u>

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Overseas business expenses</u>		
Others	\$ 4,970	\$ 13,344
<u>Other losses</u>		
Investors that have significant influence	\$ 4,357	\$ 31
3) Receivables from related parties		

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Notes receivable</u>		
Others	\$ 6,139	\$ 905
<u>Trade receivables</u>		
Subsidiary	\$ 5,360	\$ 6,329
Investors that have significant influence	22,636	14,890
Others	455,896	203,276
	\$ 483,892	\$ 224,495

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Trade payables</u>		
Investors that have significant influence	\$ 669,569	\$ 253,986
Others	508,621	311,485
	\$ 1,178,190	\$ 565,471

The outstanding trade payables from related parties are unsecured.

5) Refundable deposits

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	\$ 373,496	\$ 488,561
Others	7,601	47,977
	\$ 381,097	\$ 536,538

6) Prepayments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	\$ <u>9,089</u>	\$ <u>7,715</u>

Prepayments are for office rent.

c. Compensation of key management personnel:

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefit	\$ 46,015	\$ 44,464
Post-employment benefit	<u>2,342</u>	<u>1,986</u>
	<u>\$ 48,357</u>	<u>\$ 46,450</u>

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

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to \$2,055,877 thousand and \$2,061,218 thousand for the years ended December 31, 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 trade receivable sold to Taiwan Acceptance Corporation were \$1,127 thousand and \$1,149 thousand for the years ended December 31, 2015 and 2014, respectively.
- 2) The Company bought other equipment for \$238 thousand and \$247 thousand from Singgual Technology Co., Ltd. for the years ended December 31, 2015 and 2014. All of them were recorded under property, plant and equipment.
- 3) The Company sold property, plant and equipment to related-party during the year ended December 31, 2014. Details are summarized as follows:

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

- 4) The Company bought computer software for \$148 thousand from Singgual Technology Co., Ltd. for the year ended December 31, 2014. All of them were recorded under computer software.

- 5) 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 \$1,080,206 thousand (excluding of tax) and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2015, the Company had already paid \$894,332 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.

## 28. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2015 were as follows:

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

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2015, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	December 31	
	2015	2014
Acquisition of property, plant, and equipment	\$ 2,051	\$ 234,249
Acquisition of computer software	<u>3,923</u>	<u>296</u>
	<u>\$ 5,974</u>	<u>\$ 234,545</u>

## 29. 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 Currency)

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 165,459	32.825 (USD:NTD)	\$ 5,431,168
RMB	323,840	4.995 (RMB:NTD)	1,617,582
JPY	28,382	0.2727 (JPY:NTD)	<u>7,740</u>
			<u>\$ 7,056,490</u>
Non-monetary items			
USD	553,705	32.825 (USD:NTD)	<u>\$ 18,175,364</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	300	0.2727 (JPY:NTD)	<u>\$ 82</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
USD	3,778	31.65 (USD:NTD)	119,586
JPY	108,653	0.2646 (JPY:NTD)	<u>28,749</u>
			<u>\$ 8,332,319</u>
Non-monetary items			
USD	751,987	31.65 (USD:NTD)	<u>\$ 23,800,390</u>
<u>Financial liabilities</u>			
Monetary item			
JPY	278	0.2646 (JPY:NTD)	<u>\$ 74</u>

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

For the Year Ended December 31				
		2015		
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	5.0330 (RMB:NTD)	\$ (271,144)	4.9202 (RMB:NTD)	\$ 327,859
USD	31.739 (USD:NTD)	(40,641)	30.306 (USD:NTD)	85,485
JPY	0.2624 (JPY:NTD)	<u>11,644</u>	0.2870 (JPY:NTD)	<u>(2,384)</u>
		<u>\$ (301,141)</u>		<u>\$ 410,960</u>

### 30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

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

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.



## YULON NISSAN MOTOR COMPANY, LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

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

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 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	\$ 302,328	-	\$ 302,328
	Yuantia RMB Money Market TWD	-	Financial assets at fair value through profit or loss	13,274	200,398	-	200,398
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	12,412	200,000	-	200,000
	Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss	9,654	150,689	-	150,689
	Prudential Financial Money Market	-	Financial assets at fair value through profit or loss	8,102	100,215	-	100,215
	Allianz Gbl Investors Taiwan Money Mkt	-	Financial assets at fair value through profit or loss	8,096	100,203	-	100,203
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss	568	100,053	-	100,053
	FSITC Money Market	-	Financial assets at fair value through profit or loss	8,461	100,052	-	100,052
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	8,026	100,000	-	100,000
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss	7,964	81,212	-	81,212
	Franklin Templeton Sinonam Money Market	-	Financial assets at fair value through profit or loss	1,071	43,846	-	43,846
	Allianz Global Investors Glb Biotech	-	Financial assets at fair value through profit or loss	667	12,547	-	12,547
	Nomura Global Biotech & Health Care	-	Financial assets at fair value through profit or loss				

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value and the redemption price as of December 31, 2015.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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	Amount	Shares	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	\$ 103,844	9,821	\$ 100,000	\$ 3,844	27,794	\$ 300,000
	Nomura Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	49,764	800,000	601,191	37,352	600,000	1,191	12,412	200,000
	Paradigm Pion Money Market	Financial assets at fair value through profit or loss	-	-	-	-	43,936	500,000	500,777	43,936	500,000	777	-	-
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	30,045	400,000	400,304	30,045	400,000	304	-	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	32,137	400,000	300,060	24,111	300,000	60	8,026	100,000
	Capital Money Market	Financial assets at fair value through profit or loss	-	-	-	-	31,424	500,000	500,097	31,424	500,000	97	-	-

Note: Shown at their original investment amount.

## YULON NISSAN MOTOR COMPANY LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 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	\$ 26,442,155	98	4 days after sales for parts	\$ -	-	\$ (548,969)	(37)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	29,363,162	89	3 days after sales for vehicles	-	-	253,951	45	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	418,775	1	Same as above	-	-	11,654	2	-
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	400,484	1	15 days after sales for parts	-	-	4,591	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	374,431	1	Immediate payment for vehicles	-	-	8,033	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	367,897	1	Same as above	-	-	2,576	-	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	312,014	1	15 days after sales for parts	-	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	288,167	1	15 days after sales for parts	-	-	7,389	1	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	283,917	1	Same as above	-	-	1,152	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	253,520	1	Same as above	-	-	6,645	1	-
						15 days after sales for parts	-	-			
						Immediate payment for vehicles	-	-			

Note 1: Transaction terms are based on agreements.

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

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

## YULON NISSAN MOTOR COMPANY, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 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 \$ 253,951 Other receivables 23,757	150.56	\$ -	-	\$ 253,951 23,757	\$ -

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

## YULON NISSAN MOTOR COMPANY, LTD.

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 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		As of December 31, 2015		Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	\$ 18,175,364	\$ 3,866,456	\$ 3,866,456	Note 2
Yi-Jan Overseas Investment Co., Ltd.	JetFord, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	US\$ 553,497	US\$ 121,825	US\$ 121,825	Note 2
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	US\$ 52,900	US\$ 100,146	US\$ 16,314	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 18,710	-	US\$ 24,422	US\$ 3,216	US\$ 1,065	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	US\$ 401,974	US\$ 286,860	US\$ 114,744	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	-	US\$ 18,910	US\$ 5,022	US\$ 2,260	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Hubei (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars	US\$ 593	US\$ 593	-	US\$ (550)	US\$ 275	US\$ 135	Notes 2 and 3

Note 1: Shares of profit include the amortization of investment premium or discount.

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

Note 3: The Company's share of loss 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.

TABLE 6

## YULON NISSAN MOTOR COMPANY, LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 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 (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from January 1, 2015	Investment Flows		Accumulated Outward Remittance for Investment from December 31, 2015	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	-	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,178,533 (US\$ 100,146)	\$ 512,073 (US\$ 16,134)	\$ 1,736,447 (US\$ 52,900)	\$ 2,157,064 (US\$ 67,080)
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	102,081 (US\$ 3,216)	33,809 (US\$ 1,065)	801,660 (US\$ 24,422)	7,478,304 (US\$ 237,559)
Guangzhou Asolus 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	9,104,650 (US\$ 286,860)	3,641,860 (US\$ 114,744)	13,194,781 (US\$ 401,974)	15,294,620 (US\$ 490,523)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00	159,380 (US\$ 5,022)	71,721 (US\$ 2,260)	620,730 (US\$ 18,910)	-
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	8,727 (US\$ 275)	4,276 (US\$ 135)	(17,397) (US\$ -530)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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\$59,600)	\$13,173,107

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

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

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

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