

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and subsidiaries (collectively referred to as the "Group") as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three months ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



Deloitte & Touche
Taipei, Taiwan
Republic of China

May 12, 2017

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

ASSETS	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 10,413,274	34	\$ 9,909,754	33	\$ 8,570,323	27
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,974,119	6	2,275,103	8	2,835,541	9
Notes receivable - related parties (Notes 4 and 28)	32,935	-	4,174	-	913	-
Trade receivables (Notes 4 and 8)	43,188	-	40,532	-	85,157	-
Trade receivables - related parties (Notes 4 and 28)	661,885	2	538,408	2	774,826	2
Other receivables (Notes 4 and 8)	46,379	-	57,622	-	3,120,651	10
Inventories (Notes 4 and 9)	2,573	-	2,509	-	2,264	-
Prepayments (Note 28)	143,485	1	15,853	-	261,112	1
Total current assets	<u>13,317,838</u>	<u>43</u>	<u>12,843,955</u>	<u>43</u>	<u>15,650,787</u>	<u>49</u>
NON-CURRENT ASSETS						
Investments accounted for using equity method (Notes 4 and 11)	15,173,995	50	14,659,211	49	14,057,273	44
Property, plant and equipment (Notes 4, 12 and 28)	1,583,172	5	1,703,040	6	1,787,343	6
Computer software (Notes 4 and 13)	13,569	-	17,407	-	25,912	-
Deferred tax assets (Note 4)	190,296	1	128,364	1	151,430	-
Other non-current assets (Notes 14 and 28)	389,301	1	387,771	1	390,226	1
Total non-current assets	<u>17,350,333</u>	<u>57</u>	<u>16,895,793</u>	<u>57</u>	<u>16,412,184</u>	<u>51</u>
TOTAL	<u>\$ 30,668,171</u>	<u>100</u>	<u>\$ 29,739,748</u>	<u>100</u>	<u>\$ 32,062,971</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	\$ 3,630,000	12	\$ 3,630,000	12	\$ 3,630,000	11
Notes payable	-	-	-	-	208,600	1
Notes payable - related parties (Note 28)	-	-	1,536	-	-	-
Trade payables	13,025	-	33,967	-	33,717	-
Trade payables - related parties (Note 28)	1,006,209	3	1,083,176	4	1,373,210	4
Other payables (Note 16)	1,026,084	3	886,241	3	777,704	2
Current tax liabilities (Note 4)	572,017	2	452,079	1	797,986	3
Provisions (Notes 4, 5 and 17)	207,570	1	196,036	1	208,404	1
Other current liabilities (Notes 18 and 28)	44,817	-	27,730	-	15,684	-
Total current liabilities	<u>6,499,722</u>	<u>21</u>	<u>6,310,765</u>	<u>21</u>	<u>7,045,305</u>	<u>22</u>
NON-CURRENT LIABILITIES						
Provisions (Notes 4, 5 and 17)	54,037	-	65,387	-	46,470	-
Credit balance of investments accounted for using equity method (Notes 4 and 11)	10,871	-	12,826	-	17,098	-
Net defined benefit liabilities (Note 4)	406,691	2	441,009	2	421,736	1
Deferred tax liabilities (Note 4)	1,546,514	5	1,315,478	5	1,773,522	6
Other non-current liabilities (Notes 18 and 28)	32,988	-	39,940	-	-	-
Total non-current liabilities	<u>2,051,101</u>	<u>7</u>	<u>1,874,640</u>	<u>7</u>	<u>2,258,826</u>	<u>7</u>
Total liabilities	<u>8,550,823</u>	<u>28</u>	<u>8,185,405</u>	<u>28</u>	<u>9,304,131</u>	<u>29</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	10	3,000,000	10	3,000,000	10
Capital surplus	6,129,405	20	6,129,405	20	6,129,405	19
Retained earnings						
Legal reserve	4,056,853	13	4,056,853	14	3,640,263	11
Special reserve	788,877	3	788,877	3	788,877	2
Unappropriated earnings	8,983,440	29	7,541,356	25	8,186,495	26
Total retained earnings	<u>13,829,170</u>	<u>45</u>	<u>12,387,086</u>	<u>42</u>	<u>12,615,635</u>	<u>39</u>
Other equity	(841,227)	(3)	37,852	-	1,013,800	3
Total equity	<u>22,117,348</u>	<u>72</u>	<u>21,554,343</u>	<u>72</u>	<u>22,758,840</u>	<u>71</u>
TOTAL	<u>\$ 30,668,171</u>	<u>100</u>	<u>\$ 29,739,748</u>	<u>100</u>	<u>\$ 32,062,971</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 12, 2017)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales (Note 4)	\$ 9,847,862	100	\$ 9,490,820	100
Service revenue (Note 4)	786	-	-	-
Other operating revenue	<u>8,165</u>	<u>-</u>	<u>12,062</u>	<u>-</u>
Total operating revenue	9,856,813	100	9,502,882	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 21 and 28)	<u>8,063,444</u>	<u>82</u>	<u>8,058,297</u>	<u>85</u>
GROSS PROFIT	<u>1,793,369</u>	<u>18</u>	<u>1,444,585</u>	<u>15</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	847,017	9	836,932	9
General and administrative expenses	100,355	1	110,999	1
Research and development expenses	<u>143,313</u>	<u>1</u>	<u>114,044</u>	<u>1</u>
Total operating expenses	<u>1,090,685</u>	<u>11</u>	<u>1,061,975</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES (Note 21)	<u>61</u>	<u>-</u>	<u>-</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>702,745</u>	<u>7</u>	<u>382,610</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of profit of associates	1,357,990	14	1,047,059	11
Interest income (Note 4)	85,679	1	37,772	-
Gain on fair value changes of financial assets at fair value through profit or loss, net	9,119	-	436	-
Other revenue	445	-	36	-
Foreign exchange loss, net (Note 21)	(396,285)	(4)	(123,423)	(1)
Loss on disposal of investment, net (Note 21)	(8,841)	-	(12,607)	-
Interest expenses (Note 28)	(8,397)	-	(8,863)	-
Overseas business expenses (Note 28)	(3,441)	-	(3,489)	-
Other losses (Note 28)	<u>(677)</u>	<u>-</u>	<u>(145)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,035,592</u>	<u>11</u>	<u>936,776</u>	<u>10</u>
PROFIT BEFORE TAX	1,738,337	18	1,319,386	14
INCOME TAX EXPENSE (Notes 4 and 22)	<u>296,292</u>	<u>3</u>	<u>227,023</u>	<u>3</u>
NET PROFIT	<u>1,442,045</u>	<u>15</u>	<u>1,092,363</u>	<u>11</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of associates accounted for using equity method	\$ -	-	\$ 2	-
Remeasurement of defined benefit plans	47	-	(51)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	(8)	-	9	-
	<u>39</u>	<u>-</u>	<u>(40)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(879,079)	(9)	(288,661)	(3)
Other comprehensive income for the period, net of income tax	<u>(879,040)</u>	<u>(9)</u>	<u>(288,701)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 563,005</u>	<u>6</u>	<u>\$ 803,662</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 1,442,045</u>	<u>15</u>	<u>\$ 1,092,363</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 563,005</u>	<u>6</u>	<u>\$ 803,662</u>	<u>8</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 4.81</u>		<u>\$ 3.64</u>	
Diluted	<u>\$ 4.81</u>		<u>\$ 3.64</u>	

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

(With Deloitte & Touche review report dated May 12, 2017)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Capital Stock	Capital Surplus (Note 21)	Retained Earnings (Notes 21 and 22)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2016	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 7,094,172</u>	<u>\$ 1,302,461</u>	<u>\$ 21,955,178</u>
Net profit for the three months ended March 31, 2016	-	-	-	-	1,092,363	-	1,092,363
Other comprehensive income for the three months ended March 31, 2016, net of income tax	-	-	-	-	(40)	(288,661)	(288,701)
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	1,092,323	(288,661)	803,662
BALANCE, MARCH 31, 2016	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 8,186,495</u>	<u>\$ 1,013,800</u>	<u>\$ 22,758,840</u>
BALANCE, JANUARY 1, 2017	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 4,056,853</u>	<u>\$ 788,877</u>	<u>\$ 7,541,356</u>	<u>\$ 37,852</u>	<u>\$ 21,554,343</u>
Net profit for the three months ended March 31, 2017	-	-	-	-	1,442,045	-	1,442,045
Other comprehensive income for the three months ended March 31, 2017, net of income tax	-	-	-	-	39	(879,079)	(879,040)
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	1,442,084	(879,079)	563,005
BALANCE, MARCH 31, 2017	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 4,056,853</u>	<u>\$ 788,877</u>	<u>\$ 8,983,440</u>	<u>\$ (841,227)</u>	<u>\$ 22,117,348</u>

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

(With Deloitte & Touche review report dated May 12, 2017)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,738,337	\$ 1,319,386
Adjustments for:		
Depreciation expenses	123,046	115,157
Amortization expenses	1,133	1,177
Gain on fair value changes of financial assets at fair value through profit of loss, net	(9,119)	(436)
Interest expenses	8,397	8,863
Interest income	(85,679)	(37,772)
Share of profit of associates	(1,357,990)	(1,047,059)
Gain on disposal of property, plant and equipment, net	(61)	-
Loss on disposal of investment, net	8,841	12,607
Loss on foreign exchange, net	358,073	73,833
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	301,262	(1,356,169)
Notes receivable - related parties	(28,761)	5,226
Trade receivables	(2,656)	(14,003)
Trade receivables - related parties	(123,477)	(295,841)
Other receivables	20,744	25,852
Inventories	(64)	756
Prepayments	(127,632)	(173,659)
Notes payable	-	(34,400)
Notes payable - related parties	(1,536)	-
Trade payables	(20,942)	(20,256)
Trade payables - related parties	(74,045)	320,427
Other payables	137,145	(124,226)
Provisions	184	8,324
Other current liabilities	17,087	(16,823)
Other non-current liabilities	(6,952)	-
Net defined benefit liabilities	(34,271)	(151,678)
Net cash generated from (used in) operations	841,064	(1,380,714)
Interest paid	(8,404)	(8,863)
Income tax paid	(7,258)	(1,155)
Net cash generated from (used in) operating activities	<u>825,402</u>	<u>(1,390,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	76,178	19,075
Payment for property, plant and equipment (Note 24)	(6,064)	(96,969)
Proceeds from disposal of property, plant and equipment	3,905	-

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2017	2016
Payments for computer software	\$ -	\$ (12,759)
Decrease in refundable deposits	<u>-</u>	<u>23,464</u>
Net cash generated from (used in) investing activities	<u>\$ 74,019</u>	<u>\$ (67,189)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(395,901)</u>	<u>(108,588)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	503,520	(1,566,509)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>9,909,754</u>	<u>10,136,832</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 10,413,274</u>	<u>\$ 8,570,323</u>

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

(With Deloitte & Touche review report dated May 12, 2017)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 12, 2017.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

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

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

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 - "Clarification to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

IFRS 16 "Leases"

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

This interim consolidated financial statements has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

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

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

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

See Note 10 and Table 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

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

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

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

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

Inventories

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

Investment in Associates

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

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

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

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

Property, Plant and Equipment

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

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

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

Computer Software

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

Impairment of Assets

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest (included dividend or interest received in the investment year) earned on the financial asset. Please refer to Note 27 for the method of determining fair value.

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.

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

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, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

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

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

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

3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provisions

a. Inventory purchase commitment

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

b. Warranties

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

Revenue Recognition

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

a. Sale of goods

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

b. Rendering of services

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

c. Dividend and interest income

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

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

Employee 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

c. Termination benefits

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

Taxation

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

a. Current tax

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

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders 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 taxes are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Property, plant and equipment - molds and dies

The Group depreciates molds and dies on the basis of unit of production method and examines the estimated units sold of each model according to the changes of market semiannually for a basis to calculate amounts allocated to each mold and die.

b. Provisions for the expected cost of warranty

The provision for warranty is calculated on the basis of estimate of quarterly warranty expenditure per car and estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on average of actual warranty expense in the past and estimated number of units of cars subject to warranty at the end of every quarter. As of March 31, 2017, December 31, 2016 and March 31, 2016, the carrying amounts of provisions for warranty were \$142,353 thousand, \$136,731 thousand and \$128,799 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 20	\$ 20	\$ 20
Checking accounts and demand deposits	2,013,643	1,091,124	497,351
Foreign currency demand deposit	222,809	263,000	407,674
Cash equivalents			
Foreign currency time deposits	7,832,578	7,991,372	7,256,828
Time deposits	6,900	206,900	6,900
Repurchase agreements collateralized by bonds	<u>337,324</u>	<u>357,338</u>	<u>401,550</u>
	<u>\$ 10,413,274</u>	<u>\$ 9,909,754</u>	<u>\$ 8,570,323</u>

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
Demand deposits and time deposits	0.001%-5.50%	0.001%-9.0%	0.01%-6.00%
Repurchase agreements collateralized by bonds	1.50%-1.70%	1.50%	1.50%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets held for trading</u>			
Non-derivative financial assets			
Mutual fund	<u>\$ 1,974,119</u>	<u>\$ 2,275,103</u>	<u>\$ 2,835,541</u>

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Trade receivables</u>	<u>\$ 43,188</u>	<u>\$ 40,532</u>	<u>\$ 85,157</u>
<u>Other receivables</u>			
Interest receivables	\$ 27,949	\$ 18,448	\$ 21,046
Dividend receivables	-	-	3,088,828
Disposal of investment receivables	-	17,198	-
Others	<u>18,430</u>	<u>21,976</u>	<u>10,777</u>
	<u>\$ 46,379</u>	<u>\$ 57,622</u>	<u>\$ 3,120,651</u>

a. Trade receivables

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

The aging of receivables based on the past due days from invoice date was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
0-60 days	\$ 41,469	\$ 37,202	\$ 44,470
61-90 days	1,719	3,330	24,707
91-120 days	-	-	8,664
121-180 days	<u>-</u>	<u>-</u>	<u>7,316</u>
	<u>\$ 43,188</u>	<u>\$ 40,532</u>	<u>\$ 85,157</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
1-60 days	\$ 10,855	\$ 4,907	\$ 12,643
61-90 days	<u>1,378</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,233</u>	<u>\$ 4,907</u>	<u>\$ 12,643</u>

b. Other receivables

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

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

As of March 31, 2016, the other receivables were dividend receivables from the investees:

	March 31, 2016
Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ 3,088,828</u>

9. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Parts	<u>\$ 2,573</u>	<u>\$ 2,509</u>	<u>\$ 2,264</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2017 was \$8,063,444 thousand, which included warranty cost of \$35,851 thousand and reversal of loss on inventory purchase commitment of \$5,438 thousand. The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2016 was \$8,058,297 thousand, which included warranty cost of \$32,513 thousand and loss on inventory purchase commitment of \$2,580 thousand.

10. SUBSIDIARY

Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			March 31, 2017	December 31, 2016	March 31, 2016
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00	100.00

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Material associate</u>			
Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ 11,999,137</u>	<u>\$ 11,354,893</u>	<u>\$ 10,854,730</u>
<u>Associates that are not individually material</u>			
Aeolus Xiangyang Automobile Co., Ltd.	1,868,433	1,917,714	1,793,546
Aeolus Automobile Co., Ltd.	686,154	739,065	790,172
Shenzhen Lan You Technology Co., Ltd.	620,271	647,539	618,825
Dong Feng Yulon Used Cars Co., Ltd.	<u>(10,871)</u>	<u>(12,826)</u>	<u>(17,098)</u>
	3,163,987	3,291,492	3,185,445
Add: Credit balance of investments accounted for using equity method	<u>10,871</u>	<u>12,826</u>	<u>17,098</u>
	<u>3,174,858</u>	<u>3,304,318</u>	<u>3,202,543</u>
	<u>\$ 15,173,995</u>	<u>\$ 14,659,211</u>	<u>\$ 14,057,273</u>

a. Material associate

Company Name	Main Business	Location	Proportion of Ownership and Voting Rights		
			March 31, 2017	December 31, 2016	March 31, 2016
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	Guangdong Province	40%	40%	40%

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

Guangzhou Aeolus Automobile Co., Ltd.

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ 9,618,534	\$ 8,611,439	\$ 13,940,555
Non-current assets	32,028,513	34,273,813	36,996,192
Current liabilities	(10,726,489)	(13,511,540)	(22,728,858)
Non-current liabilities	<u>(922,716)</u>	<u>(986,480)</u>	<u>(1,071,063)</u>
Equity	<u>\$ 29,997,842</u>	<u>\$ 28,387,232</u>	<u>\$ 27,136,826</u>
Equity attributable to the Group	<u>\$ 11,999,137</u>	<u>\$ 11,354,893</u>	<u>\$ 10,854,730</u>
Carrying amount	<u>\$ 11,999,137</u>	<u>\$ 11,354,893</u>	<u>\$ 10,854,730</u>

	For the Three Months Ended March 31	
	2017	2016
Revenue	<u>\$ 7,010,752</u>	<u>\$ 6,045,720</u>
Net profit for the period	<u>\$ 3,257,755</u>	<u>\$ 2,390,395</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

b. Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2017	2016
The Group's share of:		
Net profit for the period	\$ 54,888	\$ 91,071
Other comprehensive income	<u>-</u>	<u>2</u>
Total comprehensive income for the period	<u>\$ 54,888</u>	<u>\$ 91,073</u>

c. Other information

The investments accounted for using equity method and the share of profit of those investments for the three months ended March 31, 2017 and 2016 was based on the associates' financial statements reviewed by the auditors for the same periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
Cost									
Balance at January 1, 2016	\$ 4,463,975	\$ 854,314	\$ 78,353	\$ 151,582	\$ 8,408	\$ 15,784	\$ 8,903	\$ 5,694	\$ 5,587,013
Additions	3,034	-	240	12,958	717	-	-	-	16,949
Reversal	(50,680)	-	-	-	-	-	-	-	(50,680)
Balance at March 31, 2016	<u>\$ 4,416,329</u>	<u>\$ 854,314</u>	<u>\$ 78,593</u>	<u>\$ 164,540</u>	<u>\$ 9,125</u>	<u>\$ 15,784</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,553,282</u>
Accumulated depreciation and impairment									
Balance at January 1, 2016	\$ (2,950,144)	\$ (527,202)	\$ (68,095)	\$ (79,339)	\$ (3,118)	\$ (14,985)	\$ (2,394)	\$ (5,505)	\$ (3,650,782)
Depreciation expense	(87,618)	(20,606)	(1,151)	(5,021)	(254)	(42)	(443)	(22)	(115,157)
Balance at March 31, 2016	<u>\$ (3,037,762)</u>	<u>\$ (547,808)</u>	<u>\$ (69,246)</u>	<u>\$ (84,360)</u>	<u>\$ (3,372)</u>	<u>\$ (15,027)</u>	<u>\$ (2,837)</u>	<u>\$ (5,527)</u>	<u>\$ (3,765,939)</u>
Carrying value, net, March 31, 2016	<u>\$ 1,378,567</u>	<u>\$ 306,506</u>	<u>\$ 9,347</u>	<u>\$ 80,180</u>	<u>\$ 5,753</u>	<u>\$ 757</u>	<u>\$ 6,066</u>	<u>\$ 167</u>	<u>\$ 1,787,343</u>
Cost									
Balance at January 1, 2017	\$ 4,643,465	\$ 854,314	\$ 77,070	\$ 159,610	\$ 18,442	\$ 6,662	\$ 8,903	\$ 5,694	\$ 5,774,160
Additions	362	-	2,705	1,250	-	-	-	-	4,317
Reclassification	-	-	2,705	-	-	-	-	-	2,705
Disposals	-	-	-	-	(4,070)	-	-	-	(4,070)
Balance at March 31, 2017	<u>\$ 4,643,827</u>	<u>\$ 854,314</u>	<u>\$ 82,480</u>	<u>\$ 160,860</u>	<u>\$ 14,372</u>	<u>\$ 6,662</u>	<u>\$ 8,903</u>	<u>\$ 5,694</u>	<u>\$ 5,777,112</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	\$ (3,283,229)	\$ (606,388)	\$ (65,054)	\$ (95,913)	\$ (4,742)	\$ (6,033)	\$ (4,166)	\$ (5,595)	\$ (4,071,120)
Depreciation expense	(92,338)	(22,965)	(1,314)	(5,438)	(485)	(41)	(443)	(22)	(123,046)
Disposals	-	-	-	-	226	-	-	-	226
Balance at March 31, 2017	<u>\$ (3,375,567)</u>	<u>\$ (629,353)</u>	<u>\$ (66,368)</u>	<u>\$ (101,351)</u>	<u>\$ (5,001)</u>	<u>\$ (6,074)</u>	<u>\$ (4,609)</u>	<u>\$ (5,617)</u>	<u>\$ (4,193,940)</u>
Carrying value, net, December 31, 2016	<u>\$ 1,360,236</u>	<u>\$ 247,926</u>	<u>\$ 12,016</u>	<u>\$ 63,697</u>	<u>\$ 13,700</u>	<u>\$ 629</u>	<u>\$ 4,737</u>	<u>\$ 99</u>	<u>\$ 1,703,040</u>
Carrying value, net, March 31, 2017	<u>\$ 1,268,260</u>	<u>\$ 224,961</u>	<u>\$ 16,112</u>	<u>\$ 59,509</u>	<u>\$ 9,371</u>	<u>\$ 588</u>	<u>\$ 4,294</u>	<u>\$ 77</u>	<u>\$ 1,583,172</u>

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

There were no signs of impairment losses of assets for the three months ended March 31, 2017 and 2016; therefore, the Group did not assess for impairment.

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

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

13. COMPUTER SOFTWARE

	Computer Software
<u>Cost</u>	
Balance, January 1, 2016	\$ 20,685
Additions	12,759
Disposals	<u>(18)</u>
Balance, March 31, 2016	<u>\$ 33,426</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2016	\$ (6,355)
Amortization expense	(1,177)
Disposals	<u>18</u>
Balance, March 31, 2016	<u>\$ (7,514)</u>
Carrying amounts at March 31, 2016	<u>\$ 25,912</u>
<u>Cost</u>	
Balance, January 1, 2017	\$ 27,289
Reclassification	(2,705)
Disposals	<u>(1,279)</u>
Balance, March 31, 2017	<u>\$ 23,305</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2017	\$ (9,882)
Amortization expense	(1,133)
Disposals	<u>1,279</u>
Balance, March 31, 2017	<u>\$ (9,736)</u>
Carrying amounts December 31, 2016	<u>\$ 17,407</u>
Carrying amounts at March 31, 2017	<u>\$ 13,569</u>

14. OTHER NON CURRENT ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Refundable deposits	\$ 376,107	\$ 376,107	\$ 382,053
Prepayment for equipment	<u>13,194</u>	<u>11,664</u>	<u>8,173</u>
	<u>\$ 389,301</u>	<u>\$ 387,771</u>	<u>\$ 390,226</u>

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

15. SHORT-TERM BORROWINGS

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loans	\$ <u>3,630,000</u>	\$ <u>3,630,000</u>	\$ <u>3,630,000</u>
Ranges of interest rate	0.89-0.98%	0.89-1.06%	0.93-1.09%

16. OTHER PAYABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Advertising and promotion fees	\$ 728,780	\$ 480,992	\$ 470,256
Salaries and bonus	195,593	316,620	147,565
Taxes	22,511	-	21,405
Others	<u>79,200</u>	<u>88,629</u>	<u>138,478</u>
	<u>\$ 1,026,084</u>	<u>\$ 886,241</u>	<u>\$ 777,704</u>

17. PROVISIONS

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Inventory purchase commitment	\$ 119,254	\$ 124,692	\$ 126,075
Warranties	<u>88,316</u>	<u>71,344</u>	<u>82,329</u>
	<u>\$ 207,570</u>	<u>\$ 196,036</u>	<u>\$ 208,404</u>
Non-current			
Warranties	<u>\$ 54,037</u>	<u>\$ 65,387</u>	<u>\$ 46,470</u>
	Inventory Purchase Commitment	Warranties	Total
Balance at January 1, 2016	\$ 123,495	\$ 123,055	\$ 246,550
Additional provisions recognized	2,580	32,513	35,093
Paid	<u>-</u>	<u>(26,769)</u>	<u>(26,769)</u>
Balance at March 31, 2016	<u>\$ 126,075</u>	<u>\$ 128,799</u>	<u>\$ 254,874</u>
Balance at January 1, 2017	\$ 124,692	\$ 136,731	\$ 261,423
Additional provisions recognized	-	35,851	35,851
Reversal	(5,438)	-	(5,438)
Paid	<u>-</u>	<u>(30,229)</u>	<u>(30,229)</u>
Balance at March 31, 2017	<u>\$ 119,254</u>	<u>\$ 142,353</u>	<u>\$ 261,607</u>

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

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

18. OTHER LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Receipts in advance (Note 28)	\$ 34,795	\$ 21,719	\$ 8,184
Withholding	3,093	2,000	2,985
Others	<u>6,929</u>	<u>4,011</u>	<u>4,515</u>
	<u>\$ 44,817</u>	<u>\$ 27,730</u>	<u>\$ 15,684</u>
Non-current			
Receipts in advance	<u>\$ 32,988</u>	<u>\$ 39,940</u>	<u>\$ -</u>

19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$2,558 thousand and \$3,406 thousand for the three months ended March 31, 2017 and 2016, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

20. EQUITY

a. Capital surplus

	March 31, 2017	December 31, 2016	March 31, 2016
Excess from spin-off	\$ 5,986,507	\$ 5,986,507	\$ 5,986,507
Generated from investments accounted for using equity method	<u>142,898</u>	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

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

b. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation after amendment, please refer to e. employees' compensation in Note 21.

The Company operates in a mature and stable industry. In determining the distribution of dividends, the Company considers factors such as the impact of dividends on reported profitability, cash required for future operations, any potential changes in the industry, interest of the stockholders and the effect on the of Company's financial ratios. The amount of dividends, which can be cash dividends or stock dividends, is formulated to be less than 90% of net income, though the final issued ratios would be proposed and approved by the board of directors. Cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

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

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

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

The appropriations of earnings for 2016 has been proposed by the board of directors on May 12, 2017 and the appropriations of earnings for 2015 had been approved by the stockholders on June 30, 2016 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2016	2015	2016	2015
Legal reserve	\$ 463,061	\$ 416,590		
Cash dividend	6,600,000	3,750,000	\$ 22.0	\$ 12.5

The appropriations of earnings for 2016 are subject to the resolution by the stockholders in their meeting to be held on June 26, 2017.

21. NET PROFIT

- a. Other operating income and expenses

**For the Three Months Ended
March 31**

	2017	2016
Gain on disposal of property, plant and equipment, net	<u>\$ 61</u>	<u>\$ -</u>

- b. Depreciation and amortization

**For the Three Months Ended
March 31**

	2017	2016
Property, plant and equipment	\$ 123,046	\$ 115,157
Computer software	<u>1,133</u>	<u>1,177</u>
	<u>\$ 124,179</u>	<u>\$ 116,334</u>
An analysis of depreciation by function		
Operating cost	\$ 115,303	\$ 108,223
Operating expenses	<u>7,743</u>	<u>6,934</u>
	<u>\$ 123,046</u>	<u>\$ 115,157</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 1,133</u>	<u>\$ 1,177</u>

- c. Technical cooperation agreement

**For the Three Months Ended
March 31**

	2017	2016
Operating cost	<u>\$ 154,440</u>	<u>\$ 151,551</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

**For the Three Months Ended
March 31**

	2017	2016
Post-employment benefit		
Defined contribution plans	\$ 3,561	\$ 3,453
Defined benefit plans (Note 19)	<u>2,558</u>	<u>3,406</u>
	<u>6,119</u>	<u>6,859</u>

(Continued)

	For the Three Months Ended March 31	
	2017	2016
Termination benefit	\$ -	\$ 975
Labor and health insurance	11,977	11,940
Salary	177,454	153,842
Other employee benefit	<u>14,380</u>	<u>12,664</u>
	<u>203,811</u>	<u>179,421</u>
 Total employee benefit expenses	 <u>\$ 209,930</u>	 <u>\$ 186,280</u>
 An analysis of employee benefits expense by function		
Operating cost	<u>\$ 210</u>	<u>\$ 183</u>
Operating expenses	<u>\$ 209,530</u>	<u>\$ 185,935</u>
Non-operating expenses	<u>\$ 190</u>	<u>\$ 162</u>

(Concluded)

e. Employees' compensation

In compliance with the Company Act as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting on June 2016, the Company accrued employees' compensation at the rates no less than 0.1% of net profit before income tax, and employees' compensation. The employees' compensation for the three months ended March 31, 2017 and 2016, were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	0.13%	0.11%

Amount

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	\$ 2,300	\$ 1,500

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

The appropriations of employees' compensation for 2016 and 2015 having been resolved by the board of directors on March 27, 2017, and March 28, 2016, respectively, were as below.

	For the Year Ended December 31	
	2016	2015
	Cash	Cash
Employees' compensation	\$ 5,773	\$ 11,500

There was no difference between the actual amounts of the employees' compensation paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange, net

	For the Three Months Ended March 31	
	2017	2016
Foreign exchange gain	\$ 75,225	\$ 96,765
Foreign exchange loss	<u>(471,510)</u>	<u>(220,188)</u>
Net loss	<u>\$ (396,285)</u>	<u>\$ (123,423)</u>

g. Gain or loss on disposal of investment

	For the Three Months Ended March 31	
	2017	2016
Gain on disposal of investment	\$ 1,262	\$ 1,086
Loss on disposal of investment	<u>(10,103)</u>	<u>(13,693)</u>
Net loss	<u>\$ (8,841)</u>	<u>\$ (12,607)</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2017	2016
Current tax		
In respect of the current year	\$ 127,196	\$ 51,886
Deferred tax		
In respect of the current year	<u>169,096</u>	<u>175,137</u>
Income tax expense recognized in profit or loss	<u>\$ 296,292</u>	<u>\$ 227,023</u>

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

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	<u>2017</u>	<u>2016</u>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ <u>(8)</u>	\$ <u>9</u>
Income tax benefit (expense) recognized in other comprehensive income	\$ <u>(8)</u>	\$ <u>9</u>

c. Integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	\$ <u>8,983,440</u>	\$ <u>7,541,356</u>	\$ <u>8,186,495</u>
Imputation credit account (“ICA”)	\$ <u>674,872</u>	\$ <u>674,872</u>	\$ <u>594,566</u>
		For the Year Ended December 31	
		2016	2015
		(Expected)	(Actual)
Creditable ratio for distribution		<u>14.94%</u>	<u>18.89%</u>

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

d. Income tax assessment

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

23. EARNINGS PER SHARE

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

Net Profit for the Period

	For the Three Months Ended March 31	
	<u>2017</u>	<u>2016</u>
Earnings used in the computation of basic and diluted earnings per share	\$ <u>1,442,045</u>	\$ <u>1,092,363</u>

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

	For the Three Months Ended March 31	
	2017	2016
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	<u>24</u>	<u>74</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,024</u>	<u>300,074</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation 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, if the effect is dilutive. Such dilutive effect of the potential shares was 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.

24. NON-CASH TRANSACTIONS

For the three months ended March 31, 2017 and 2016, the Group entered into the following non-cash investing activities:

	For the Three Months Ended March 31	
	2017	2016
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 4,317	\$ 16,949
Net changes of prepayment for equipment	1,530	5,293
Net changes of trade payables	<u>217</u>	<u>74,727</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 6,064</u>	<u>\$ 96,969</u>

25. OPERATING LEASE AGREEMENTS

The Company as Lessee

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
No later than 1 year	\$ 6,710	\$ 10,474	\$ 16,309
Later than 1 year and not later than 3 years	<u>1,403</u>	<u>1,871</u>	<u>8,327</u>
	<u>\$ 8,113</u>	<u>\$ 12,345</u>	<u>\$ 24,636</u>

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

March 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 1,974,119</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,974,119</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 2,275,103</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 2,275,103</u>

March 31, 2016

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 2,835,541</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 2,835,541</u>

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

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

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

c. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Fair value through profit or loss			
Held for trading	\$ 1,974,119	\$ 2,275,103	\$ 2,835,541
Loans and receivables (Note 1)	11,197,661	10,550,490	12,551,870
<u>Financial liabilities</u>			
Amortized cost (Note 2)	5,479,725	5,318,300	5,853,612

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 borrowings, notes payable, trade payables and part of other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

Sensitivity analysis

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

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

the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	RMB		U.S. Dollar		Japanese Yen	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2017	2016	2017	2016	2017	2016
Loss	\$ (294,895)	\$ (235,895)	\$ (118,108)	\$ (316,166)	\$ (7,618)	\$ (740)

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

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets	\$ 8,201,685	\$ 8,452,615	\$ 7,693,911
Financial liabilities	500,000	500,000	500,000
Cash flows interest rate risk			
Financial assets	2,211,569	1,457,119	876,392
Financial liabilities	3,130,000	3,130,000	3,130,000

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2017 and 2016 would decrease/increase by \$574 thousand and decrease/increase by \$1,409 thousand, respectively, which were mainly attributable to the Group's exposure to interest rates on its demand deposits, time deposits and short-term borrowings.

2) Credit risk

The Group's concentration of credit risk of 46%, 54% and 81% in total trade receivables as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively, was related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2017, December 31, 2016 and March 31, 2016, the available unutilized short-term borrowing facilities were all \$2,070,000 thousand.

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

March 31, 2017

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Floating interest rate instrument	-	\$ 1,534,288	\$ 37,616	\$ 276,635
Fixed interest rate instrument	0.89	3,132,455	-	-
	0.98	<u>667</u>	<u>500,196</u>	<u>-</u>
		<u>\$ 4,667,410</u>	<u>\$ 537,812</u>	<u>\$ 276,635</u>

December 31, 2016

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Floating interest rate instrument	-	\$ 1,349,976	\$ 92,693	\$ 244,486
Fixed interest rate instrument	0.89	3,132,720	-	-
	1.06	<u>500,174</u>	<u>-</u>	<u>-</u>
		<u>\$ 4,982,870</u>	<u>\$ 92,693</u>	<u>\$ 244,486</u>

March 31, 2016

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	-	\$ 1,977,507	\$ 45,564	\$ 199,028
Floating interest rate instrument	0.93	3,132,777	-	-
Fixed interest rate instrument	1.09	<u>454</u>	<u>500,248</u>	<u>-</u>
		<u>\$ 5,110,738</u>	<u>\$ 545,812</u>	<u>\$ 199,028</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Investors that have significant influence over the Group	
Nissan Motor Corporation (“Nissan”)	Parent company
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Trading Europe Ltd.	Same as above
Nissan Trading (Thailand) Co., Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
Nissan Import Egypt, Ltd.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distribution Indonesia	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Philippines Inc.	Same as above
INFINITI Motor Co., Ltd.	Same as above
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

(Continued)

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

(Continued)

Related Party	Relationship with the Group
Luxgen Taoyuan Motor Co., Ltd.	Subsidiary of Luxgen Motor Co., Ltd.
Luxgen Taichung Motor Co., Ltd.	Subsidiary of Luxgen Motor Co., Ltd.
Luxgen Kaohsiung Motor Co., Ltd.	Same as above
ROC-Keeper Industrial Ltd.	Subsidiary of ROC Spicer Co., Ltd.
	(Concluded)

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

1) Operating transactions

	For the Three Months Ended March 31	
	2017	2016
<u>Sales</u>		
Taiwan Acceptance Corporation	\$ 8,769,743	\$ 8,447,281
Investors that have significant influence	8,324	14,708
Others parties	<u>939,293</u>	<u>877,970</u>
	<u>\$ 9,717,360</u>	<u>\$ 9,339,959</u>
<u>Service revenue</u>		
Nissan	\$ <u>786</u>	\$ <u>-</u>

The Company designs and performs R&D of cars for Nissan. Service revenue is recognized according to the related contracts. Those service revenue receipts in advance are recognized as current and non-current liabilities according to the timing of revenue recognition.

	For the Three Months Ended March 31	
	2017	2016
<u>Other operating revenue</u>		
Yulon	\$ 4,708	\$ 1,890
Yu Sing Motor Co., Ltd.	1,760	1,305
Singan Co., Ltd.	1,325	637
Chen Long Co., Ltd	1,153	964
Others parties	<u>2,174</u>	<u>6,183</u>
	<u>\$ 11,120</u>	<u>\$ 10,979</u>

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

	For the Three Months Ended March 31	
	2017	2016
<u>Operating cost - purchase</u>		
Yulon	\$ 7,685,873	\$ 7,656,202
Investors that have significant influence	4,462	4,684
Others	<u>7,279</u>	<u>58,418</u>
	<u>\$ 7,697,614</u>	<u>\$ 7,719,304</u>

Operating cost - TCA

Nissan	\$ 145,482	\$ 147,350
Others	<u>8,958</u>	<u>4,201</u>
	<u>\$ 154,440</u>	<u>\$ 151,551</u>

The Company's TCA is the payment to Nissan, with whom the Company has technical cooperation agreements.

	For the Three Months Ended March 31	
	2017	2016
<u>Operating cost - rental</u>		
Yulon	\$ 4,204	\$ 4,103
Ka-Plus Automobile Leasing Co., Ltd.	2,233	1,981
Others	<u>1,111</u>	<u>964</u>
	<u>\$ 7,548</u>	<u>\$ 7,048</u>

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

	For the Three Months Ended March 31	
	2017	2016
<u>Selling and marketing expenses</u>		
Investors that have significant influence	\$ 2,897	\$ 2,227
Others	<u>344,191</u>	<u>484,258</u>
	<u>\$ 347,088</u>	<u>\$ 486,485</u>
<u>General and administrative expenses</u>		
Investors that have significant influence	\$ 4,045	\$ 2,581
Others	<u>47,080</u>	<u>43,042</u>
	<u>\$ 51,125</u>	<u>\$ 45,623</u>

	For the Three Months Ended March 31	
	2017	2016
<u>Research and development expenses</u>		
Investors that have significant influence	\$ 3,609	\$ 2,808
Others	<u>9,724</u>	<u>8,736</u>
	<u>\$ 13,333</u>	<u>\$ 11,544</u>

Selling and marketing expenses are payment to others for advertisement and promotion.

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

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

Purchases of property, plant and equipment from related parties are detailed as follows:

	For the Three Months Ended March 31	
	2017	2016
Others	<u>\$ 362</u>	<u>\$ 335</u>

2) Non-operating transactions

	For the Three Months Ended March 31	
	2017	2016
<u>Overseas business expense</u>		
Yulon Management Co., Ltd.	\$ 679	\$ 851
Others	<u>340</u>	<u>304</u>
	<u>\$ 1,019</u>	<u>\$ 1,155</u>

Other losses

Investors that have significant influence	<u>\$ 20</u>	<u>\$ 45</u>
---	--------------	--------------

3) Receivables from related parties

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Notes receivable</u>			
Yushin Motor Co., Ltd	\$ 18,808	\$ 3,847	\$ 2
Yuan Lon Motor Co., Ltd.	<u>14,127</u>	<u>327</u>	<u>911</u>
	<u>\$ 32,935</u>	<u>\$ 4,174</u>	<u>\$ 913</u>

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Trade receivables</u>			
Taiwan Acceptance Corporation	\$ 247,796	\$ 272,888	\$ 641,123
Yulon	210,438	157,046	11,102
Investors that have significant influence	19,356	9,256	2,065
Others	<u>184,295</u>	<u>99,218</u>	<u>120,536</u>
	<u>\$ 661,885</u>	<u>\$ 538,408</u>	<u>\$ 774,826</u>

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

Trade receivables from related parties are unsecured. For the three months ended March 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Notes payables</u>			
Investors that have significant influence	\$ <u>-</u>	\$ <u>1,536</u>	\$ <u>-</u>
<u>Trade payables</u>			
Yulon	\$ 419,272	\$ 343,671	\$ 844,455
Investors that have significant influence	201,440	151,755	149,944
Others	<u>385,497</u>	<u>587,750</u>	<u>378,811</u>
	<u>\$ 1,006,209</u>	<u>\$ 1,083,176</u>	<u>\$ 1,373,210</u>

Trade payables from related parties are unsecured.

5) Refundable deposits

	March 31, 2017	December 31, 2016	March 31, 2016
Yulon	\$ 373,496	\$ 373,496	\$ 373,496
Others	<u>800</u>	<u>800</u>	<u>7,601</u>
	<u>\$ 374,296</u>	<u>\$ 374,296</u>	<u>\$ 381,097</u>

6) Prepayments

	March 31, 2017	December 31, 2016	March 31, 2016
Yulon Management Co., Ltd	\$ 130,950	\$ -	\$ 130,950
Investors that have significant influence	<u>10,749</u>	<u>11,995</u>	<u>9,369</u>
	<u>\$ 141,699</u>	<u>\$ 11,995</u>	<u>\$ 140,319</u>

Prepayments are mainly to Yulon Management Co., Ltd for consulting, labor dispatch and IT services.

7) Receipts in advance

	March 31, 2017	December 31, 2016	March 31, 2016
Autech Japan, Inc.	<u>\$ 52,918</u>	<u>\$ 52,918</u>	<u>\$ -</u>

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

c. Compensation of key management personnel

	For the Three Months Ended March 31	
	2017	2016
Short-term employee benefit	\$ 10,387	\$ 12,725
Post-employment benefit	<u>422</u>	<u>662</u>
	<u>\$ 10,809</u>	<u>\$ 13,387</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 \$460,907 thousand and \$460,793 thousand for the three months ended March 31, 2017 and 2016, 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 \$242 thousand and \$262 thousand for the three months ended March 31, 2017 and 2016, respectively.

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

The molds contracts are valid from the date of the contract to the end of production of the car model. The Company re-signed the molds contracts in June 2016. The revised contract amount is \$1,021,491 thousand (excluding of tax), which was originally \$1,080,206 thousand (excluding of tax). The total newly-signed contract amount in November 2016 and December 2016 were \$262,139 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of March 31, 2017, the Company had already paid \$1,073,918 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.

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2017 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 March 31, 2017, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	March 31, 2017	December 31, 2016	March 31, 2016
Acquisition of property, plant and equipment	\$ <u>1,926</u>	\$ <u>3,518</u>	\$ <u>2,954</u>

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

March 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,222,389	4.4070 (RMB:NTD)	\$ 5,387,069
USD	77,882	30.330 (USD:NTD)	2,362,167
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
RMB	\$ 116,234	0.1449 (RMB:USD)	\$ 510,822
JPY	561,693	0.2713 (JPY:NTD)	<u>152,388</u>
			<u>\$ 8,412,446</u>

Financial liabilities

Monetary items			
JPY	128	0.2713 (JPY:NTD)	<u>\$ 35</u> (Concluded)

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,209,033	4.617 (RMB:NTD)	\$ 5,582,106
USD	73,149	32.250 (USD:NTD)	2,359,058
RMB	114,975	0.1442 (RMB:USD)	534,692
JPY	508,852	0.2756 (JPY:NTD)	<u>140,239</u>
			<u>\$ 8,616,095</u>

Financial liabilities

Monetary item			
JPY	204	0.2756 (JPY:NTD)	<u>\$ 56</u>

March 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 196,468	32.185 (USD:NTD)	\$ 6,323,323
RMB	947,666	0.1548 (RMB:USD)	4,721,462
JPY	51,931	0.2863 (JPY:NTD)	14,868
RMB	716	4.9720 (RMB:NTD)	<u>3,560</u>
			<u>\$ 11,063,213</u>

Financial liabilities

Monetary items			
JPY	244	0.2863 (JPY:NTD)	<u>\$ 70</u>

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

	For the Three Months Ended March 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.5290 (RMB:NTD)	\$ (255,591)	5.0500 (RMB:NTD)	\$ 10,218
RMB	0.1452 (RMB:USD)	2,303	0.1531 (RMB:USD)	7,007
USD	31.095 (USD:NTD)	(143,241)	33.143 (USD:NTD)	(131,785)
JPY	0.2735 (JPY:NTD)	<u>244</u>	0.2872 (JPY:NTD)	<u>(8,863)</u>
		<u>\$ (396,285)</u>		<u>\$ (123,423)</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached)

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

32. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues and results

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

	Revenue		Profit Before Tax	
	For the Three Months Ended March 31			
	2017	2016	2017	2016
Vehicle segment	\$ 8,780,858	\$ 8,464,717	\$ 642,018	\$ 365,528
Part segment	1,067,004	1,026,103	224,482	164,253
Investment segment	-	-	1,354,549	1,043,570
Other segment	<u>8,951</u>	<u>12,062</u>	<u>(160,148)</u>	<u>(143,380)</u>
	<u>\$ 9,856,813</u>	<u>\$ 9,502,882</u>	2,060,901	1,429,971
Gain on disposal of property, plant and equipment			61	-
Interest income			85,679	37,772
Gain on fair value changes of financial assets at fair value through profit or loss, net			9,119	436

(Continued)

	Revenue		Profit Before Tax	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2017	2016	2017	2016
Foreign exchange loss, net			\$ (396,285)	\$ (123,423)
Loss on disposal of investment, net			(8,841)	(12,607)
Interest expense			(8,397)	(8,863)
Central administration cost and directors' compensation			<u>(3,900)</u>	<u>(3,900)</u>
Profit before tax			<u>\$ 1,738,337</u>	<u>\$ 1,319,386</u> (Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the three months ended March 31, 2017 and 2016.

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

b. Segment total assets

	March 31, 2017	December 31, 2016	March 31, 2016
Vehicle segment	\$ 1,501,617	\$ 1,617,002	\$ 1,685,575
Part segment	40,235	43,908	51,828
Investment segment	15,173,995	14,659,211	14,057,273
Other segment	<u>41,320</u>	<u>42,130</u>	<u>49,082</u>
	16,757,167	16,362,251	15,843,758
Unallocated assets	<u>13,911,004</u>	<u>13,377,497</u>	<u>16,219,213</u>
Consolidated total assets	<u>\$ 30,668,171</u>	<u>\$ 29,739,748</u>	<u>\$ 32,062,971</u>

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2017

(In Thousands of New Taiwan Dollars)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	March 31, 2017				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>							
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	33,137	\$ 502,394	-	\$ 502,394	
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss	24,249	301,366	-	301,366	
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	24,234	300,983	-	300,983	
	Prudential Financial Money Market	-	Financial assets at fair value through profit or loss	9,654	151,322	-	151,322	
	FSITC Money Market	-	Financial assets at fair value through profit or loss	568	100,465	-	100,465	
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	8,461	100,430	-	100,430	
	Capital Money Market	-	Financial assets at fair value through profit or loss	6,274	100,342	-	100,342	
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss	7,101	100,000	-	100,000	
	Yuanta USD Money Market TWD	-	Financial assets at fair value through profit or loss	10,661	98,791	-	98,791	
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	7,964	81,558	-	81,558	
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss	4,199	50,040	-	50,040	
	PineBridge Em Mkt AsiaPac Strat Bd TWD A	-	Financial assets at fair value through profit or loss	2,713	30,616	-	30,616	
	PineBridge Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	1,840	25,015	-	25,015	
	Fuh Hwa Global Fixed Inc FoFs	-	Financial assets at fair value through profit or loss	1,347	20,189	-	20,189	
	Nomura Global Equity TWD	-	Financial assets at fair value through profit or loss	800	10,608	-	10,608	

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value as of March 31, 2017.

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 THREE MONTHS ENDED MARCH 31, 2017
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares (Thousands)	Amount (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	22,452	\$ 300,000	-	\$ -	22,452	\$ 301,008	\$ 300,000	\$ 1,008	-	\$ -

Note: Shown at their original investment amount.

YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Note/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 2)	
Yulon Nissan Motor Company, Ltd.	Yulon	Equity-method investor of the Company	Purchase	\$ 7,685,873	99	4 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (419,272)	41	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	8,769,743	89	Same as above	-	-	247,796	33	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	122,339	1	15 days after sales for parts	-	-	39,668	5	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	119,774	1	Same as above	-	-	36,664	5	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	116,163	1	Same as above	-	-	8,833	1	-

Note 1: Transaction terms are based on agreements.

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2017

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation Yulon	Subsidiary of Yulon Equity-method investor of the Company	Trade receivables \$ 247,796	134.74 Note 2	\$ -	-	\$ 247,796	\$ -
			Trade receivables 210,438					

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE THREE MONTHS ENDED MARCH 31, 2017
 (In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2017	December 31, 2016	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	100	\$ 15,761,298	\$ 1,359,031	\$ 1,359,031	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	Jetford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100	US\$ 519,457	US\$ 43,706	US\$ 43,706	Notes 1 and 2

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

Note 2: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars)**

Number (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	a	Trade receivables - related parties	\$ 7,613	-	-
				Reduction of general and administrative expenses	7,663	-	-

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

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

Note 3: Eliminated.

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

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

TABLE 7

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2017	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2017	Accumulated Repatriation of Investment Income as of March 31, 2017
					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	\$ 367,154 (US\$ 11,807)	\$ 57,669 (US\$ 1,855)	\$ 1,868,433 (US\$ 61,603)	\$ 2,157,064 (US\$ 67,080)
Aeolus Automobile Co., Ltd.	Consulting	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	(38,104) (US\$ -1,225)	(12,620) (US\$ -406)	686,154 (US\$ 22,623)	7,478,304 (US\$ 237,559)
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB 2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00	3,257,755 (US\$ 104,768)	1,303,102 (US\$ 41,907)	11,999,137 (US\$ 395,619)	20,860,371 (US\$ 664,453)
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	19,011 (US\$ 611)	8,555 (US\$ 275)	620,271 (US\$ 20,451)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	Valuation, purchase, renovation, rent, selling of used cars and training.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00	2,620 (US\$ 84)	1,284 (US\$ 41)	(10,871) (US\$ -358)	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$13,270,409

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 reviewed financial statements and percentage of ownership.

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

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